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recovery

volatile session

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European trucks
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Modern art
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Tomorrow's
Weekend FT
Currency turmoil - is it
the 1930s all over again?

Survey
Malaysia
Separate section



FINANCIAL TIMES

Friday August 28 1992

EUROPE'S BUSINESS NEWSPAPER

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US and Britain enforce exclusion zone in south Iraq

US and British aircraft began imposing the allied air exclusion zone over southern Iraq yesterday with Baghdad warning that it would deal with this "aggressive, illegal action" in "due time and with the appropriate methods".

General Brent Scowcroft, US national security adviser, said he did not expect that President Saddam Hussein would challenge the ban, but added: "It's difficult to predict what Saddam Hussein may do. He has violated logic, at least our logic, many times in the past". Page 13; Iraq issues warning to neighbours Page 3

BASF, German chemical concern, reported first-half pre-tax profits down 37 per cent to DM572m (\$607m). Page 13; Lex, Page 12

Dunkel urges Gatt accord: Arthur Dunkel, director-general of the General Agreement on Tariffs and Trade, has called on nations blocking the Uruguay Round to settle their differences. Page 4; Fragile success of Gatt, Page 10

Japanese powerbroker resigns: Shin Kanemaru, widely regarded as the most powerful politician in Japan, has resigned as vice chairman of the ruling Liberal Democratic party over a political funding scandal. Page 12

Carmakers warn of fresh downturns: European car manufacturers warned of tougher times in the second half of this year, following mixed first-half results. Page 13; Full results, Page 14; Bourse rebounds, Page 36

Kaiser's flag finds new roles



German rightwingers brandish the flag of imperial Germany as they demonstrate against foreigners and asylum-seekers. Thousands of left-wingers plan to stage a counter-demonstration in the riot-torn city of Rostock tomorrow. Page 2

Continental Airlines, fifth-largest US carrier but bankrupt since late-1990, received an investment proposal from Air Canada and a team of Texan investors. Page 13

Czechoslovak split agreed: Czech and Slovak leaders agreed to divide Czechoslovakia into two separate republics linked by a customs and currency union when the federal state is dissolved at the end of this year. Page 2

Weir Group, UK engineering concern with 60 per cent of its sales overseas, reported a 23 per cent rise in pre-tax profits from just over £15m to £18.5m (\$37m). Page 14; Lex, Page 12

Pretoria purges police leadership: The South African government announced sweeping changes in the police, including purging top ranks and appointing blacks to senior posts. Page 3; De Klerk grasps a dangerous nettle, Page 3

Court quashes bond convictions: Alan Bond, bankrupt Australian entrepreneur, was released from prison after serving 90 days of his 3½ year sentence when an appeals court quashed a fraud conviction against him. Page 3

Anti-Collar movement grows: A poll of Brazilian Congress members shows that support for the impeachment of President Fernando Collor de Mello doubled in the past 10 days. Page 4

ABN Amro, the Netherlands largest bank, reported a rise in first-half net profits of 8.9 per cent from Fl 801m to Fl 872m (\$550m), powered by an expanding overseas operation. Page 15

Charterhall collapses: A revolutionary UK rail freight service launched just 11 weeks ago collapsed last night as its operator, Charterhall, called in the liquidators. Page 5

Slough Estates, fourth-biggest UK property company, cut its dividend in response to concern about the economy. Page 13; Lex, Page 12

Bright forecast for North Sea: The North Sea will be an area of substantial production for the UK, with more than 90 new oil fields likely to be developed over the next 20 years. Page 5

Beatles song steals show: The handwritten lyrics by former Beatle Paul McCartney's for She's Leaving Home were sold to an anonymous telephone bidder for £41,000 at Sotheby's. A Rolls Royce Phantom which once belonged to Elvis Presley failed to reach its reserve of £100,000.

STOCK MARKET INDICES

FT-SE 100	2,311.5	(+26.5)
Yield	5.2%	
FT-SE Euro Stoxx 100	1,977.14	(+18.15)
FT-AE Share	1,087.46	(+0.98)
Nikkei	17,355.00	(+1013.35)
New York: S&P 500	2,266.00	(+19.50)
Dow Jones Ind Ave	2,266.00	(+19.50)
S&P Composite	2,266.00	(+19.50)
US DOLLAR		
Federal Reserve	3.5%	
3-mo T-bill	3.10%	
Long Bond	7.60%	
Yield	7.60%	
LONDON MONEY		
3-mo Interbank	10.5%	(10.5%)
Life long gilt rate	9.5%	(9.5%)
NORTH SEA OIL (Argus)		
Brent 15-day (Oct)	\$13.675	(13.65)
Oilfield		
New York: Crude (Aug)	\$33.2	(33.2)
London	\$33.4	(33.4)

Austria	Sch30	Hungary	Fl150	Mexico	US\$100	S.Africa	Rand	500
Bahrain	Dh100	Indonesia	Rp100	Morocco	Dir100	Singapore	S\$100	500
Belgium	BF100	India	Rs100	Norway	Nkr100	Spain	Ptas100	500
Cyprus	Ct100	Indonesia	Rp100	Nigeria	Naira100	Sweden	Skr100	500
Czech	Kcs100	Israel	Sh100	Norway	Nkr100	Switzerland	Sfr100	500
Denmark	Dkr100	Japan	Yen100	Oman	Rial100	Taiwan	Nt\$100	500
Egypt	E£100	Jordan	Dh100	Pakistan	Rs100	Tunisia	Din100	500
Finland	Fmk100	Korea	Won100	Philippines	Peso100	Turkey	Lira100	500
France	FF100	Kuwait	Dh100	Poland	Zl100	UAE	Dir100	500
Germany	DM100	Lebanon	US\$100	Portugal	Esc100			
Greece	Dr100	Lux	US\$100	Qatar	Qr100			

Rebound is helped by big Nikkei gain Markets revive as worry over strong D-Mark eases

By Peter Marsh and James Biltz
in London

EQUITIES and bonds recovered across Europe yesterday as worries diminished slightly about the effects of the strong D-Mark on the faltering European economy. The rebound in prices was especially marked in London, Paris and Frankfurt, and was helped by a big rise early yesterday on the Tokyo stock market, triggered by hopes of government action to buoy Japanese growth.

Mr Michel Sapin, the French finance minister, sought to calm worries about currency strains with a statement in Paris that a realignment of the European exchange rate mechanism was "not on the agenda".

He also hinted at further concerted central bank intervention to depress the D-Mark against the dollar. Such action might be expected to reduce pressures on the weaker currencies in the ERM, which have raised the possibility of rises in interest rates across the Continent.

Amid nervous trading in most financial markets, the remarks from Mr Sapin helped to per-

suade more investors to switch funds into the dollar and out of the D-Mark. In London, the dollar closed below the day's highs at DM1.4105, up slightly under half a penny.

But the firmer dollar failed to give more than a slight lift to the pound and the lira, the two weakest ERM currencies. Both slipped against the D-Mark to close in London near their ERM floors, stoking speculation that the UK and Italian governments might be forced to raise interest rates.

Starting at one point yesterday brushed DM2.80 before falling back in late trading to close in London down ¼ penny at DM2.79, less than 2 pennings above its DM2.775 limit. After European markets closed, sterling dipped to DM2.764. Against

the dollar, sterling lost just under 1 cent in London, closing at \$1.978. The lira hit a record low of 764.7 against the D-Mark, compared to its ERM floor of L765.4.

In London, the FT-SE 100 index gained 26.5, closing at 2,311.5, while bourses in Paris and Frankfurt rose 1.5 per cent and 2.6 per cent respectively. In Italy, however, investors continued to take a gloomy view of the economic outlook, with shares setting a new low for the year.

European bond markets were generally firm, although UK gilts lost up to half a point. The markets took heart from a 6.1 per cent rise in the Tokyo market, where the Nikkei index closed 1,013.35 higher at 17,355.0.

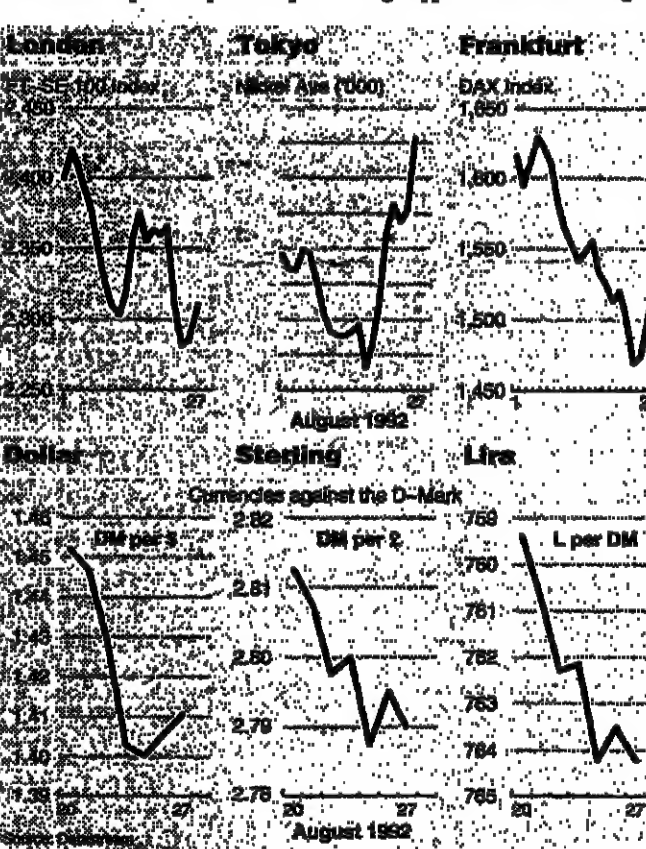
It was the first 1,000-point gain since April. Measures thought likely to be adopted by the government to buoy the economy include an increase in public sector investment and aid to lift property prices through the purchase of land for government use.

On Wall Street, just after 2pm, the Dow Jones Industrial Average was 22.15 points higher at 2,266.0.

Even though the currency markets were steadier yesterday after the strains of earlier in the week, the central banks in Portugal and Spain were both forced to buy their currencies to stop them weakening against the D-Mark.

After the strong rise in the German currency, it finished yesterday as the second strongest after the Belgian franc in the 10-currency grid, up from the fourth strongest three weeks ago. The market strains were discussed in Paris yesterday by finance ministry officials from the main industrialised countries in a meeting which ends today.

In Britain, the impact of the intervention by the Bank of England on Wednesday to buy sterling for D-Marks continued to provide some assurance to currency dealers that the government was not prepared to see the pound breach its ERM floor.



Daf in 'strategic alliance' talks with Mercedes-Benz

By Kevin Done,
Motor Industry Correspondent,
in London

DAF, the Dutch commercial vehicle maker in which British Aerospace holds a 16 per cent stake, has begun talks on forming a "strategic alliance" with Mercedes-Benz, the world's leading truck maker.

Daf refused to name Mercedes-Benz as its potential partner yesterday, although Dutch trade union officials have confirmed the talks. However, Daf and Mercedes-Benz, the automotive subsidiary of Daimler-Benz, Germany's biggest industrial corporation, issued contrasting versions of the talks.

The Dutch company, which is suffering its third year of heavy losses, said discussions were "taking place on a strategic alliance" with an unnamed party which could lead to a "structural strengthening" of the group.

An equity stake was under consideration and the negotiations included talks on exchanging products, co-operation in new

product development and sharing of production.

Mercedes-Benz, which on Wednesday denied that any talks were taking place, yesterday admitted that discussions were under way following an approach from Daf.

The German company insisted, however, that there was no question of "concrete negotiations" with the aim of Mercedes-Benz either acquiring a minority shareholding or even taking over Daf.

It said that the talks, which had been initiated by Daf and which had been under way "for some time", concerned the creation of a "customer-supplier relationship" between the two companies.

Mercedes-Benz dominates the European truck industry and accounted for 32.8 per cent of new truck sales (above 3.5 tonnes) in west Europe last year compared with the 7.2 per cent taken by Daf. Its biggest rivals in Europe are the Franco-Swedish alliance of Renault and Volvo, and Iveco, the commercial

vehicles subsidiary of Fiat.

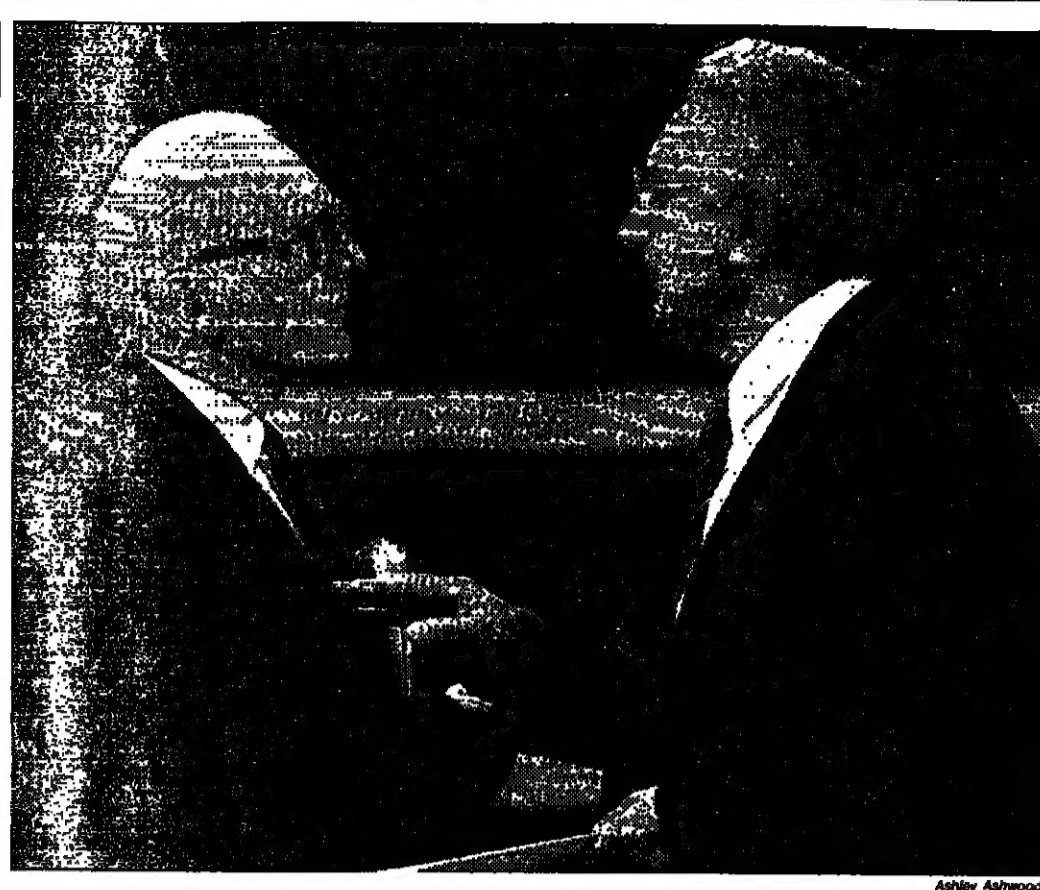
Despite the two versions of the nature of the negotiations, the disclosure of the talks helped to boost the Daf share price, which has been trading at an all-time low in recent days. The price gained Fl2.3 to close at Fl18.1 last night.

The share price was also helped by Daf's announcement that it had cut net losses in the first half of the year to Fl97.4m (\$61.6m) from Fl179.1m in the corresponding period a year ago.

Mr Cor Baan, who took over as chairman of the Daf management board earlier this year, forecast that the group would break even in the second half of 1992.

Daf is also understood to be close to reaching agreement with the Dutch and Belgian governments on raising Fl210m of new finance.

Tough times, Page 10
Lex, Page 12
Carmakers warn of fresh downturn, Page 13
Volvo, Renault, VW and Daimler-Benz results, Page 14.



Near agreement: Lord Carrington, chairman of the EC sponsored peace conference on Yugoslavia, and Croatian president Franjo Tudjman in discussion yesterday

Conference close to terms for settlement in Bosnia

By Judy Dempsey and Ivo Dawney

A FRAMEWORK which could end the war in Bosnia-Herzegovina and restore stability to the Balkan peninsula was close to agreement at the London peace conference last night.

By threatening sharply intensified sanctions against Serbia, the joint United Nations-European Community peace initiative appeared to have made real progress despite continued fighting in Bosnia.

Nine people were reported to have died when a mortar shell crashed into a queue in a residential part of Sarajevo, the capital. People had been waiting either for a bus or for bread, reports said. Four mortar bombs struck a building used by UN peacekeepers but no one was hurt.

It was clear in London last night before a final statement was agreed by the conference participants, that the western powers intend to maintain the maximum pressure on the warring factions to settle their differences.

The nine-nation Western European Union meeting in London today, is expected to consider a proposal to impose a naval blockade of Serbia.

The conference proposals were thrashed out by UN and EC diplomats during a day of intense negotiations with Bosnian president Mr Alija Izetbegovic, Mr

UN urged to consider military action.....Page 2
Faint hopes in bitter Yugoslav imbroglio.....Page 2

Radovan Karadzic, leader of Bosnia's Serbs, and Mr Milan Panic, the prime minister of the unrecognised Yugoslav state of Serbia and Montenegro.

They also include a fresh package of sanctions against Serbia if it does not comply with the conference decisions which were expected to be agreed late last night.

"This is a last chance for peace," said Ms Barbara McDougall, Canada's foreign minister.

"We have to make sure that

words are now matched with deeds," said Mr Klaus Kinkel, Germany's foreign minister.

The agreement calls for:
● The cessation of violence in Bosnia. This includes the early lifting of sieges of towns and cities; international supervision of heavy weapons; the ban on all military flights and the identification of all headquarters and commanders of all armed units, including paramilitaries in the republic. The conference has already asked Mr Boutros Boutros Ghali, the UN secretary-general, to recommend the Security Council to post observers on the Bosnia-Serbian borders and to deploy observers in Bosnia to monitor the withdrawal of all heavy weapons.

● The effective delivery of humanitarian aid to be speeded up by using more international monitors. Refugees should be "progressively returned" to their homes.
● All detention camps to be dismantled and closed immediately. All humanitarian organisations

Continued on Page 12

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NEWS: EUROPE

Faint hopes in bitter Yugoslav imbroglio

The London conference has made some headway, but the war in Bosnia goes on, says Judy Dempsey



Craxi: newspaper attack

Venomous twist in Milan scandal

By Haig Simonian in Milan

SHARP differences have emerged within Italy's Socialist party following a number of bitter attacks in Avanti, the party newspaper, on the Milanese judges investigating the city's corruption scandal.

It is widely believed that the attacks have been inspired by Mr Bettino Craxi, the Socialist party leader.

The Socialists have held sway in Milan, Mr Craxi's personal power-base, almost uninterrupted since the war, and have been badly tainted by the scandal.

Lesked extracts from statements by some politicians under investigation have denied Mr Craxi's claims to have been unaware of the widespread practice of kick-backs and undercover funding for the city's main political parties.

The increasingly personal broadsides, written anonymously, have focused on Mr Antonio Di Pietro, the best-known of the magistrates conducting the inquiries. Amid veiled allusions to a less than honourable past, the paper has suggested that, in time, Mr Di Pietro would be revealed to be "very different from the hero talked about".

The personal tone and insinuations of the Avanti articles could prove counter-productive. This week, Mr Carlo Ripa di Meana, Italy's Socialist environment minister and a former European Commissioner, wrote an open letter to Mr Di Pietro, dissociating himself from the articles.

Mr Giacomo Mancini, a veteran party leader, has also come out strongly against the paper, as have a number of prominent Socialist mayors.

More than 70 people, mainly politicians, have so far been arrested. But rumours of the impending arrest of leading businessmen and politicians continue to grip the city.

On Wednesday, shares in Mediobanca, the powerful merchant bank, were marked down sharply after conflicting reports of the death, or arrest, of Mr Enrico Cuccia, its octogenarian honorary chairman, though the rumour was swiftly denied. On the same day Italy's constitutional court turned down an appeal for the release of Mr Salvatore Ligresti, the Sicilian-born property magnate in Milan's San Vittore prison for over a month.

West German engineering orders fall

By Christopher Parkes in Bonn

NEW ORDERS for west German plant and engineering products slumped 16 per cent in July, the VDMA industry association said.

Meanwhile, the inflation rate turned upwards again in August after a sharp fall the previous month. The annual rate of consumer price increases rose to a provisional 3.5 per cent, compared with 3.3 per cent in July, the federal statistics said yesterday. While still within the predicted range, and well below March's high of 4.8 per cent, the figure will disappoint markets and politicians alike. Falling inflation is the key to the Bundesbank's interest rate policy, which is unlikely to be eased until prices are set firmly on a downward path.

According to the VDMA, members' July export orders fell 17 per cent, and domestic demand fell 14 per cent over the same month last year.

Three-month comparisons, less subject to short-term variations, confirmed the gloom. In the three months to end-July orders were down 11 per cent.



The London conference has made some headway, but the war in Bosnia goes on, says Judy Dempsey

THE London conference has achieved a measure of success in winning the agreement of all parties to participate in long-term negotiations on the future of the Balkan peninsula, in spite of being unable to stop the fighting in Bosnia.

The conference yesterday adopted a three-pronged strategy aimed initially at resolving the crisis in Bosnia. But each precarious step has to contend with the same obstacle that has hampered western efforts all along: the reluctance to back up threats with action, most notably the use of force.

The first part of the strategy is to beef up the United Nations presence in Bosnia in order to protect the humanitarian aid convoys. The UN's mandate in Bosnia does not allow it to do that, as witnessed when the UN came under fire while delivering relief supplies to the Serb-occupied eastern Bosnian city of Gorazde.

The London conference's draft document on Bosnia envisages establishing a much enlarged international peace-

keeping force under UN auspices to maintain the ceasefire and control movements by military forces on the ground. If the UN's mandate is amended in this way, as proposed by Mr Boutros Boutros Ghali, the UN secretary general, the danger is that its forces on the ground will be forced to defend themselves, thus jeopardising their impartiality.

"This was exactly the argument recently used by Britain as a reason for not changing the UN's mandate," said an EC diplomat. "Yet now we are trying to change the UN's role so that Nato can avoid taking any

keeping force under UN auspices to maintain the ceasefire and control movements by military forces on the ground. If the UN's mandate is amended in this way, as proposed by Mr Boutros Boutros Ghali, the UN secretary general, the danger is that its forces on the ground will be forced to defend themselves, thus jeopardising their impartiality.

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ing these people is what we should be addressing," an EC foreign minister said. This will take a long time and will again involve risk to those international forces monitoring the process.

Moreover, as Mr Haris Silajdzic, Bosnia's foreign minister has repeatedly said, sanctions against Serbia will not stop the war, they will not allow any future Bosnian government to claw back territory seized by Croatia and Serbia, and they do not provide for the rebuilding of bombed homes from which Bosnia's Muslims were expelled.

The threat of more sanctions is also designed to apply pressure on Belgrade to negotiate the restoration of autonomy to the Serb-controlled southern province of Kosovo so as to prevent the war from spreading to this part of the Balkans.

Mr Alois Mock, Austria's foreign minister, pointed to the obstructive tactics of Mr Slobodan Milosevic, the Serbian president. "Time and again throughout this conference, we have seen Milosevic refusing to accept international mediators to negotiate the future status of Kosovo on the grounds that the conference is interfering in the internal affairs of Serbia," he said.

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The third part of the strategy is designed to tackle all these complex problems. Six permanent committees based in Geneva will be set up in the wake of the conference.

These will negotiate the future constitutional status of Bosnia, the status of ethnic minorities throughout the region, and the restoration of economic ties between the republics.

UN and EC diplomats admit that the committees cannot hope to stop the fighting immediately. "We said from the outset that this conference would not stop the fighting," said Mr John Major, the British prime minister. His advisers say addressing the issues of ethnic-

ity, nationalism, and identity throughout the Balkans is a long term process.

Geneva is a long way from Sarajevo and Kosovo, from the fighting and the tension on the ground. Many of the ethnic communities in the former Yugoslavia are looking for a clearer sign of help from the west than is likely to be provided by another round of negotiations in a distant capital.

The conference has given momentum to the search for peace. But there is widespread fear that if the three-pronged strategy has no military force to underpin it, the roar of Balkan mortar could again devour the western diplomatic effort.

UN urged to consider military action

By David Barchard

THE UN should be prepared to consider military intervention to halt the fighting in Bosnia Hercegovina, Turkey said yesterday, adding it would be willing to contribute troops if asked to do so.

Mr Hikmet Cetin, the Turkish foreign minister attending the London conference, said it was difficult to explain to the Turkish public why the west wanted Turkey's help for military intervention in Iraq if it was not also willing to intervene in Bosnia.

He said feelings in Turkey were running high because there were 5m people in Turkey of Bosnian origin and an estimated 30,000 Bosnian refugees had fled there.

Mr Cetin said Turkey would not be drawn into any regional conflicts in the Balkans, whether in Bosnia or in Kosovo or Macedonia. "Turkey will not act alone."

However, he criticised the EC for not recognising Macedonia because of Greek objections to its name.

He also denied reports that Turkey had put its application for full membership of the European Community, originally made in 1987, on the backburner.

Rostock rushes in extra riot police

By Leslie Collett in Berlin

AUTHORITIES in east Germany's riot-torn city of Rostock are working desperately to prevent clashes this weekend between right-wing extremists and thousands of left-wing counter-protesters, following a fifth night of violent attacks on asylum seekers and the police.

Thousands of police reinforcements are being rushed in from northern Germany to head off a confrontation when more than 10,000 left-wingers from all over Germany are expected to stage a counter-demonstration against the right in Rostock tomorrow.

Chancellor Helmut Kohl yesterday called the riots a "disgrace for our country" which damaged Germany's international reputation.

The riots on Wednesday night spread to Eberswalde near Berlin, scene of a recent trial of five skinheads who killed an Angolan asylum-seeker in 1990. Neo-Nazi demonstrators marched from the town centre to a freshly evacuated hotel for asylum seekers shouting "Sieg Heil" and "solidarity with Rostock."

In clashes with the police 32 demonstrators were taken into custody.

The mood among ordinary Rostockers has changed. Instead of applauding the young right-wingers, as many did initially, they have begun to express contempt for the violence. But they remain adamant that a hostel for asylum seekers - mostly Romanians and Vietnamese - should not have been located in the middle of a housing estate.

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Czechs and Slovaks set divorce terms

Two prime ministers finally see eye-to-eye over ending a 74-year-old union

By Ariane Genillard in Prague

CZECHOSLOVAKIA will be divided into two separate republics linked by a customs and currency union when the federal state is dissolved at the end of this year. This was agreed by Czech and Slovak leaders after their sixth round of constitutional talks in Brno this week.

Mr Vaclav Klaus, the Czech prime minister and Mr Vladimir Meciar, his Slovak counterpart, also outlined the constitutional steps needed to prepare the Czech and Slovak republics for formal independence by January 1, 1993.

The agreement in principle to create a customs union and a currency zone in which future Czech and Slovak currencies would be linked by a fixed exchange rate, is aimed at reducing the economic dislocation involved in dividing the 74-year-old Czechoslovak state. No timetable has been fixed for introducing separate currencies which would be issued at a one-to-one exchange rate.

"For the time being, we will effectively maintain one currency, but at the same time put in place a mechanism which allows for realignments if they prove necessary," Mr Karel Dvora, Czech industry minister, told the FT.

In Bratislava, the Slovak capital, Mr Ludovit Cernak, Slovak economics and industry minister, said "the Slovak government is prepared to co-ordinate its economic policies with its Czech neighbour to ensure that the one-to-one exchange rate is maintained indefinitely."

Negotiators have been discussing ways to resolve the fate of the Czechoslovak federation since last June's elections brought nationalist leaders to power in the smaller Slovak republic. While seeking international recognition for their republic, Slovak leaders have



Mr Vladimir Meciar, the Slovak premier (left), and his Czech counterpart, Mr Vaclav Klaus, discuss final details of the dissolution

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insisted that some form of economic union be maintained with the wealthier Czech republic, which traditionally takes the bulk of their semi-finished products.

The exact details of the custom and currency agreements will be contained in two documents which are being prepared by the federal government. The documents will then be passed to each republic for approval.

Monetary co-ordination is expected to be managed by the existing Financial Council which includes finance ministers from both republics and the governor of the central bank. The institution met occasionally over the past two years to discuss significant economic policies affecting both republics.

The formation of a customs union reflects the desire to ensure the dissolution of the federation does not jeopardise the country's obligations towards

the General Agreement on Tariffs and Trade, and the trade association agreement signed with the European Community last year.

The constitutional divorce, meanwhile, will be achieved through a law being prepared by the federal government for approval by the federal assembly by the end of the year. It provides four alternative methods of legitimising the dissolution: through an agreement between the two republican parliaments, through a vote in the federal assembly, by means of a referendum, or unilateral secession.

The latter option now appears unlikely. The Slovak constitution, due to be voted on in the republic's parliament next week, and which could have brought an early de facto end to the federation, is now expected to have a clause suspending its introduction until January 1, 1993.

with reports of fresh fighting in the region. Tass said six people had been killed and 30 wounded when an Azeri aircraft dropped anti-personnel and cluster bombs on Stepanakert, capital of the disputed region of Nagorno-Karabakh. Scores of people have been killed in Azeri air raids in the past week. The Armenians say the aircraft are former Soviet planes which Moscow recently handed to Azerbaijan.

It was unclear how the two sides planned to make the ceasefire stick, given the breakdown of numerous earlier truces, including several mediated by Russia and Iran.

Mr Tashjian said it would cost \$200m and take two years to get just one of the units going again. "We either must reactivate the plant or find a substitute," he said.

The war was the primary complaint voiced by opponents who held three days of protests in Yerevan against Mr Ter-Petrosian last week. A day later he survived a no-confidence move by insisting that, should a public referendum support his leadership, the opposition majority parliament would be dissolved. The stunt caused his critics to back down.

Mr Ter-Petrosian is trying to give the appearance of marching gamely ahead. He doesn't mind too much having traded his former career at Yerevan University for his current job. "I will only have regrets if I am convinced that my current office is a failure," Mr Ter-Petrosian said. It is clear that, in his opinion, no-one can yet claim justifiably that it is.

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Spivs in the sights of Russian spy-catchers

By John Thornhill in Moscow

RUSSIA's new security ministry, back to the minister KGB, is turning its attention from spies to spivs in an attempt to stem a flood of illegal exports of precious natural resources.

At a press conference at the infamous Lubyanka building, one-time prison and KGB headquarters, security officers said they had unearthed systematic theft from key state enterprises in central Russia and the Urals on an "astounding" scale.

"Our data prove there is a well-structured network of criminal groups specialising specifically in taking strategic resources out of the Russian Federation," said Mr Andrei Chernenko, the ministry spokesman.

A recent operation, code-named "Trawl", had prevented the smuggling of 9m tonnes of metals, 800,000 tonnes of petrol and oil products, 2,000 cubic metres of lumber, and chemicals worth \$20m (\$10m).

Officers described how some gangs operated convoys of trucks protected by armed guards to ship smuggled goods. One bogus trading company had even dug up 50km of railway lines to smuggle out of the country.

The ministry said there was evidence that many of the smuggled goods were being channelled through the Baltic states with the collusion of government officials. Russia has so far failed to create proper borders with other former Soviet republics.

● The rouble tumbled on Russia's fledgling currency exchange yesterday to Rb205 to the dollar from Rb168, close to its lowest level this year. Leyla Bouhadia writes. The government blamed inflation, but the slide was also prompted by expectations that the government and central bank will loosen monetary policy.

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Nikkei soars on hopes for spending plan

By Gordon Cramb in Tokyo

HOPES that a Japanese government package of stimulus measures, due to be unveiled today, will inject as much as ¥9,000bn (€36bn) into the country's anemic economy sent Tokyo share prices soaring 6.1 per cent yesterday.

The Nikkei average of the market's 225 leading issues, in its first thousand-point gain since April, finished 1,013.35 higher at 17,555.00. Some 820bn shares changed hands in the busiest session for two-and-a-half months.

It left the market 3,245 points, or 22.7 per cent, above the six-year low it plunged just 10 days ago. The revival has accompanied increased expectations of the size of today's package, which officials and politicians in the ruling Liberal Democratic Party had earlier been suggesting would be at most ¥8,000bn.

Measures are thought likely to include a boost in spending on public works, and to lift property prices through the purchase of land for government use. LDP members were quoted yesterday as saying, however, that a proposal to set aside some of these funds to assist the country's big banks - by purchasing loan held, as collateral for loans which have gone sour - had lost favour.

Instead, the banking sector would reportedly be offered tax incentives to make writing off bad loans less painful. Tax credits for industry, taking effect from October, are also said to be in prospect to encourage capital spending.

As a more direct help to the stock market, which still stands nearly 50 per cent below its December 1989 peak, state-administered institutions such as the postal savings system may also be steered into investing more surplus funds in equities.

The package will be formalised in an autumn supplementary budget. The authorities harbour residual hopes that it will allow the country to meet its 3.5 per cent growth forecast for the year to next March, in the face of private sector belief that growth may emerge at little more than half that rate.

The stock market was encouraged by indications that the government, after a long period of indecision, had set aside Finance Ministry qualms that the extra spending would erode Japan's budget surplus.

Mr Russell Jones, economist at UBS Phillips and Drew, yesterday described the delay in any substantial official response to the slowdown as "the economic policy equivalent of Emperor Nero".

A cautious recovery in demand would probably already be under way by the time today's measures came into force, he said, while the macroeconomic effect of the package would be rather less than the ¥9,000bn headline figure.

Economic data yesterday indicated that the Japanese economy continues to consolidate. The Ministry of International Trade and Industry said industrial production for July was a bare 0.3 per cent ahead of the previous month and 6.2 per cent below the level of a year earlier.

Destocking by manufacturers made no headway, with inventories up 0.6 per cent in the month and 6.1 per cent higher than July 1991. As a proportion of sales they rose 0.1 per cent on the month and 0.3 per cent year-on-year.

Miti's forecast for manufacturing activity did, however, show a 5.5 per cent rise in September from this month, when output is expected to fall 4.5 per cent.

The Japan Automobile Manufacturers' Association said, meanwhile, that July vehicle production was down 7.2 per cent from the year before in unit terms, with passenger car output off 5.6 per cent.

Cautious consumer spending was reflected in Miti figures for sales at the country's large retail chains in July. Total sales were 0.6 per cent down from the same month of last year, although clothing showed a 0.5 per cent rise, joining foods and beverages which were up 1.4 per cent.

For August, Miti said sales would remain weak, with high price-tag items continuing to fare worst.

See World Stock Markets Page

Pretoria purges top rank of police force

By Paul Waldmeir in Johannesburg

THE South African government yesterday announced sweeping changes in its police, including purging top ranks, introducing civilian review of police actions, retraining officers in community policing and appointing blacks to senior posts.

The measures represent Pretoria's most determined effort yet to reduce the township violence which has left 2,000 people dead since 1980, and

which has been exacerbated by poor policing.

They could help smooth the way to resumption of talks on a post-apartheid constitution, suspended by the African National Congress (ANC) two months ago in protest at the violence.

An ANC spokesman described the moves as "window dressing" saying that the ANC opposed any measures to restructure the police before an interim government is in place.

Mr Hennis Kriel, minister of law and order, yesterday announced that

13 police generals were to be retired, nearly a quarter of the general staff, to try to restore the force's damaged credibility.

An independent body is to be set up to investigate "serious crimes allegedly committed by members of the South African police", he said in a statement.

This body, which would be headed by a judge, would have 25 inspectors including attorneys general, lawyers, policemen and possibly "foreign experts".

It would give South African

civilians the right of review over police actions for the first time, introducing a principle of accountability never before respected by the police.

Mr Kriel, who is the minister responsible for the police, said the force had discriminated against blacks in the past and would now adopt an affirmative action policy aimed at promoting non-whites quickly to top ranks.

There would be further retirements at lower levels of the force, and officers would be retrained to

"sensitise all serving members on an urgent basis about the changed environment in which policing must take place".

The measures appear to have been prompted by international criticism, including a report by British experts last month which found the force to be incompetent.

It is understood that the leader of the British, Mr Peter Waddington, director of criminal justice studies at Reading University, had privately urged Mr de Klerk to carry out the purge.

De Klerk grasps a dangerous nettle

Patti Waldmeir reports on a cultural change for working-class Afrikaner policemen

ASK ALMOST any black South African: who is responsible for the violence that has destroyed so many lives since political reform began in South Africa? The answer will be the police.

Even members of the Zulu Inkatha Freedom Party, who are alleged to enjoy close links with police, often accuse them of complicity in the violence.

Such charges are at best exaggerated, at worst completely false. But the fact remains that most black South Africans believe police are directly involved in township violence.

Now President F.W. de Klerk has decided to face this problem head-on. He has forcibly retired fully one-quarter of the force's top generals, and agreed to set up an independent, largely civilian, body to investigate alleged police crimes. Officers are to be retrained in the art of community policing, and a vigorous affirmative action policy adopted to promote non-white officers quickly to top ranks.

The South African Police is to be made accountable to the public, after decades in which policemen enjoyed a freedom of action which would not be tolerated in any civilised country. Those who continue to resist the new mood of co-operation with blacks will be sacked or retired; white officers will find themselves reporting to senior blacks for the first time.

Most white officers come from the section of the white population most at risk from political reform: working class Afrikaners, for whom black rule means an end to guaranteed employment in the public sector. Understaffed and poorly

trained in riot control, many genuinely fear for their lives when the stones begin to fly.

Black policemen - some 56 per cent of the force is non-white, including the bulk of officers assigned to township duty - suffer more immediate fears of political change. They have been the target of the African National Congress, which called on its supporters to kill policemen and their families as part of its campaign to make South Africa ungovernable.

Changing their attitudes will be difficult but Mr de Klerk has finally decided - at considerable political risk to himself - to try. After months in which he appeared unable or unwilling to confront his own security forces, he has opened the police to public scrutiny and implicitly admitted its weaknesses.

He has taken to heart the criticisms voiced by British investigators who last month found that the police were incompetent and the lower ranks out of control. Since then, pressure has mounted with allegations by a prominent pathologist that 90 per cent of deaths in detention were caused by police.

These measures alone will not stop the violence; they do not affect the military, which is alleged to be involved in a continuing campaign of "dirty tricks" against the ANC, nor the so-called "Third Force", the secret network of former and serving security force and intelligence officers alleged to be behind much of the violence.

But they could help prevent the large number of deaths which can be attributed to poor policing.



Hennis Kriel in Pretoria yesterday announcing that 13 police generals were to be retired

Iraq warns Arab neighbours of retaliation over 'no-fly' zone

By Tony Walker in Cairo

IRAQ yesterday warned its Arab neighbours they would face reprisals if they helped the allies to impose a "no-fly zone" south of the 32nd parallel.

Employing language reminiscent of the Gulf conflict, Iraq's ruling Revolutionary Command Council said that Baghdad would pick the best moment to retaliate, indicating that it wanted to avoid an early clash.

"We shall choose the proper way and the proper time to confront this outrageous aggression," the RCC statement said.

The RCC meeting, presided

over by President Saddam Hussein, demanded "clear and firm" Arab opposition to the air exclusion zone which came into force yesterday.

Warplanes from the US, Britain and France began patrolling the skies over southern Iraq to prevent aerial activity by Iraqi fixed-wing aircraft and helicopters.

The allied aircraft will be operating from air bases in Saudi Arabia, and from the carrier USS Independence in the Gulf.

France has committed 10 Mirage fighter-bombers and Britain six Tornados to police the exclusion zone.

The US reportedly has about 200 aircraft in the region, including Stealth fighter-bombers. Among sophisticated "offensive" aircraft on the Independence are F-14 and F-15 Phantoms and A-6 Intruder bombers.

US naval commanders in the Gulf have said they will not hesitate to shoot down Iraqi aircraft that violate the "no fly zone" rules.

Iraq, meanwhile, was reported to have withdrawn its aircraft to positions north of the 32nd parallel. However, Iraqi ground forces, including some Republican Guard divisions, are continuing

operations against Shia Muslim rebels in southern Iraq, many of whom have taken refuge in the marshland that straddles the Tigris and Euphrates rivers.

Arab states, including members of the US-led alliance, which expelled Iraq from Kuwait, reacted nervously to yesterday's implementation of the exclusion zone.

Saudi Arabia added its voice to concerns about the possible dismemberment of Iraq. Saudi radio, quoting what it described as a "responsible source", reaffirmed the kingdom's "constant desire for the territorial integrity and non-

partitioning of Iraq."

In Baghdad, the RCC statement heaped particular scorn on countries such as Saudi Arabia which are providing facilities for aircraft policing the exclusion zone - although no Arab air forces will take part in the operation itself.

The Iraqi leadership said it would hold Arab countries supporting the west "fully responsible... before God, history, the Arab and Islamic nation and their own people."

"Tomorrow is not far away," the RCC statement warned. It added that US leaders had become "so cheap to the extent that they turned the aggres-

sion against Iraq into an electioneering ploy."

US claims to protect the Iraqi people are false. Most Arab countries have rejected the plan, because it threatens Arab national security," the statement said.

Further afield, Malaysia added to criticism of western actions in Iraq, accusing the allies of double standards by enforcing a "no-fly zone" in southern Iraq while being cautious over Serbian attacks on Bosnia.

"It is a double standard, something which makes us all very unhappy," Malaysian Foreign Minister Abdullah Ahmad

Badawi told a news conference at the end of a visit to Baghdad.

In Beijing, Mr Abdullah Bishara, secretary general of the Gulf Cooperation Council, yesterday said Chinese leaders were concerned about the fragmentation of Iraq; but they fully supported UN resolutions against Baghdad.

He said China, one of five permanent members of the UN Security Council, was forceful in demanding Baghdad comply with all council resolutions. Mr Bishara was speaking at a news conference after meeting China's premier, foreign minister and other officials.

Afghan ceasefire promised

By Farhan Bokhari in Islamabad

PAKISTAN was yesterday awaiting final confirmation that a temporary ceasefire between rival Afghan mujahideen factions had come into effect after a high level government delegation left for Kabul to negotiate a settlement.

The delegation, led by the Pakistani minister of state for foreign affairs, Mr Siddique Khan Kanjo, will be part of Islamabad's latest effort to end three weeks of fighting, which has left at least 2,000 people dead.

A government announcement in Islamabad said the rival factions led by dissident leader Mr Gulbuddin Hekmatyar and the government of President Burhanuddin Rabbani had agreed to a 72-hour ceasefire, after Pakistani contacts with both sides. Pakistan hopes to use the temporary lull to begin negotiations on peace talks.

However, bitter rivalries remain in the war-torn country.

Mr Hekmatyar has been demanding the expulsion of Uzbek militiamen from Kabul as a pre-condition to peace talks, on the grounds that the militia leader General Rashid Dostum is closely allied to former communist-backed President Najibullah.

But Mr Rabbani's government has refused to accept that demand, which triggered the latest fighting on August 6.

The Afghan government is widely believed to fear that the expulsion of the Uzbeks would tilt the balance of power strongly in favour of Mr Hekmatyar, allowing him to send his troops to take over the capital.

On the other hand, Mr Hekmatyar is also pressed for time. His fighters, deployed on hill-top outside Kabul, will have to move when the winter snows begin in two or three months, forcing them to give up strategically important ground. The country is also suffering from widespread food shortages and the destruction to hospitals, offices and homes.

Court quashes Bond conviction

By Kevin Brown in Sydney

THE long-running Alan Bond show was back on the road yesterday after the Western Australian Court of Criminal Appeal quashed a fraud conviction against the bankrupt Australian entrepreneur.

An emotional Mr Bond was collected by his son John from Wooroloo open prison, near Perth, shortly after the verdict. Fighting back tears he said he was "very pleased" to be free after 90 days in jail.

Mr Bond, the former chairman of Bond Corporation, was jailed for 2½ years in May after being convicted of acting dishonestly during the A\$370m (€133m) rescue of Mr Laurie Connell's Rothwells merchant bank, five years ago. The charge alleged he persuaded a Perth businessman to contribute to the rescue, while concealing the existence of a A\$16m success fee to

be paid by Rothwells to Bond Corporation. His release follows fresh evidence given to the appeal court by Mr Maxwell Healy, a former Perth building contractor. Mr Healy said Mr Connell had told him he would lie at Mr Bond's trial to ensure a conviction which would divert attention from his own forthcoming trial on Rothwells related charges.

More than 20 people face criminal charges arising from the rescue, which is also the focus of a Western Australian royal commission into allegedly corrupt relationships between state politicians and local businessmen.

The appeal court dismissed five other grounds for appeal and Mr Bond was remanded on A\$100,000 bail until October 5, when the Perth district court will set a date for a new trial. He also faces three separate regulatory investigations into the activities of Bond Corporation, the group he founded 30 years ago.

Fleeing investors shake Taiwan

The KMT is rethinking its economic blueprint, writes Luisetta Mudie

FOREIGN investment in Taiwan fell by 43 per cent in the first half of this year, while domestic investment was down to just 20 per cent of GNP, much lower than in South Korea or Japan.

An overloaded infrastructure and high cost of living can be blamed in part for the fall. But the government may also have been caught between political over-ambition and over-rigidity in its regulation of the economy.

Only 15 per cent of investment in Taiwan in 1991 was in manufacturing, while the service sector expanded rapidly. The trend is disturbing for the island's Nationalist Kuomintang (KMT) government, which has relied on a \$300bn (€150.7bn) infrastructure plan and new legislation to attract investment and maintain economic growth - currently just below 7 per cent.

But rising costs and the appreciation of the Taiwan dollar are damaging Taiwan's low-cost manufacturing industries, whose exports fuel the island's economic growth. Many companies are moving to mainland China and south-east Asia, where development is less stringently regulated and labour is cheap.

The exodus has resulted in the increasing movement of capital overseas - up to \$6bn is estimated to have flowed into China since Taiwan eased restrictions in early 1991. It has

Taiwan's exports to mainland China leaped 38.9 per cent to \$2.84bn in the first half of 1992, and two-way trade through Hong Kong totalled \$3.4bn (€1.7bn), a rise of 34 per cent over the same period of last year, writes Luisetta Mudie.

Raw materials and textiles accounted for 36.4 per cent of exports and industrial machinery and electronic goods 11 and 10 per cent respectively. The growth in trade is causing alarm in Taiwan's government, which fears economic dependence on the rival Beijing regime. Direct trade links have yet to be established across the Taiwan Strait, but already 7.13 per cent of the island's exports reach the mainland.

also affected export growth, which has slowed in recent months.

Mr Lee Kuo-chao, director of research at the cabinet's Council for Economic Planning and Development (CEPD) admits there is a problem. But the CEPD's blueprint for economic growth, the six-year development plan, has failed to be the panacea the government promised. Delays and insufficient budgeting are already forcing the government to cut back the plan's 770 projects and related bond issues.

Economic analysts criticise the plan as an exercise in propaganda, while a recent report from the Chung Hua Institute for Economic Research estimated that without a re-think, the government would have to issue \$252bn in debt by the year 2000. Apart from the financial burden, the risk of triggering further inflation would be high.

"If the government attempts improvements on this scale all in one jump it will be as big a

step as the Great Leap Forward was on the mainland," said one senior member of the Institute.

He added that until Taiwan's economy becomes more efficient, with fewer government-made obstacles to the flow of capital, resources such as the island's \$86.6bn in foreign exchange reserves will remain untapped.

In an attempt to break the vicious circle between over-loaded infrastructure and a poor investment environment, the government is extending low interest loans and tax holidays to almost any company that is in the black, while helping businesses with thorny problems such as land acquisition for development projects.

The cabinet's development fund has an apparently flexible budget of billions of US dollars, but observers say too much of this money is finding its way into property speculation and mainland China's stock market. Mr Wu Ru-yu, of the independently funded Institute for National Policy Research, says

that tighter legislation is the only way to prevent this kind of abuse.

Liberalisation has put many of Taiwan's underground operations out of business, but many foreign investors have criticised the government for shooting itself in the foot with over-zealous regulation.

In a crackdown on illegal foreign labour, quotas were imposed and new rules set in an apparently arbitrary manner. "The only thing investors have to watch out for in Taiwan is the government," said one foreign businessman affected by the new rules.

With another construction bond issue to be cancelled in September, it seems that the KMT's political vision has in some measure given way to economic reality. But with parliamentary elections looming at the end of the year, the KMT cannot afford to have nothing to show for its economic promises, either.

Bombay broker granted bail

MR Harshad Mehta, the stockbroker at the heart of the Rs35bn (€27m) Bombay stock market scandal, was released on bail by a special court yesterday, only to be rearrested for alleged violations of the Foreign Exchange Regulation Act, writes Shiraz Siddha in Bombay.

In the streets outside the Bombay stock exchange, brokers celebrated the release of Mr Mehta, who had artificially bolstered exchange prices earlier this year before being arrested for fraud. But he left the court only to face further interrogation by the Indian enforcement directorate.

Patten plans first visit to China

Mr Chris Patten, governor of Hong Kong, is to visit China in October. The trip, Mr Patten's first since taking up his post, is viewed as part of consultations following his key policy speech to Hong Kong's Legislative Council on October 7, writes Simon Davies in Hong Kong.

He is expected to see Chinese Premier Li Peng and Lu Ping, the director of the Chinese State Council's Hong Kong and Macao Affairs Office.

Discussions are likely to focus on the main policy issues and the deadlock over Chinese approval of financing for the Chek Lap Kok airport project.

Hizbollah victory

Hizbollah, the Shia Muslim fundamentalist group won a landslide victory in parliamentary elections for the east Lebanon district of Baalbek, according to results announced yesterday, Reuters reports from Baalbek.

The victory means that the pro-Iranian Hizbollah (Party of God) group will join the Lebanese assembly for the first time. The group took Lebanon's political community by surprise when it said it would participate in the election, which is being boycotted by most Christians.

Chemical arms step

A treaty banning the use, possession and manufacture of chemical weapons has passed one of its final hurdles on the way to adoption by the United Nations. Reuters reports from Geneva, after 24 years of talks, it has been agreed by a committee of the 30-nation Conference on Disarmament.

The draft treaty is contained in a report that will be examined by a plenary session of the UN-sponsored conference next week.

Red Cross injuries

Two employees of the International Committee of the Red Cross were injured, one of them critically, when their vehicle came under fire in the West African state of Liberia, Reuters reports from Geneva. Their vehicle was returning from a survey near Tubmanburg when it came under fire 40km from Monrovia.

Korean switch

A consortium led by South Korea's Sunkyong Group will give up the lucrative contract awarded last week by the government to develop the country's second mobile telephone network, newspapers said, Reuters reports from Seoul.

The English-language Korea Herald said the decision was taken after ruling Democratic Liberal party leader Kim Young-sam held discussions over the controversial awarding of the contract with President Roh Tae-woo. The son of Sunkyong chairman Choi Jung-hyon is married to Mr Roh's daughter.

Indian plane death

The head of the aviation wing of India's paramilitary Border Security Force was killed yesterday when his aircraft was piloted burst into flames and crashed shortly after taking off from Delhi airport, Reuters reports from New Delhi.

NEWS: AMERICA

Bush attacks Clinton over trade policy

By Jurek Martin, US Editor, in Washington

PRESIDENT George Bush yesterday shifted the focus of his attack on Mr Bill Clinton, accusing his Democratic rival for the presidency of being a closet protectionist who was trying to exploit "fear of foreigners" in his campaign.

He specifically attacked Mr Clinton's proposals to raise the transfer taxes on foreign investment in the US. This, Mr Bush charged, was tantamount to "an eviction notice" to US workers and should be seen in contrast to his own commitment to freer trade and greater investment.

"By attacking the bogeymen of foreign investors," the president told a rally in St Louis, "Governor Clinton hopes to exploit the darker impulses of this uncertain age: fear of the future, fear of the unknown, fear of foreigners."

The president's speech was as significant for what it did not say as for what it did. It contained no reference to his opponent's character, nor did it invoke the "family values" themes that have been a fea-

ture of the Republican campaign in the last week.

This fits comments delivered on Wednesday by Mr Charles Black, a senior campaign official, who dismissed as "wild rumours, gossip and red herrings" the personal vitriol poured recently on Mr and Mrs Clinton by assorted presidential surrogates. He dissociated himself from Congressman Newt Gingrich's equating of the troubles of Mr Woody Allen, the film director, with Democratic party values.

Even so, both Mr Bush and Mr Black said they would continue to stress traditional family values in the campaign, implying at least a modified continuation of the present "high road, low road" tactic, whereby the president can distance himself from any personal attacks on the Clintons.

The polls have found that, though the emphasis on family values may have done something to shore up the president's shaky conservative support, especially in the south, it is not going well in the country at large, which wants to hear more about concrete economic and social policy proposals.

US second-quarter growth sharply lower

By Jurek Martin, in Washington

THE US Commerce Department confirmed yesterday that economic growth in the second quarter of this year was less than half that recorded in the first quarter.

Revised figures for the expansion in gross domestic product in April-June were unchanged from its estimates of a month ago, at 1.4 per cent real annual rate. In the first quarter, the economy grew by 2.9 per cent.

There was some greater encouragement in the simultaneous report that the number of Americans applying for

unemployment benefits in the week ending August 15 had dropped by 22,000 to 382,000 - the largest weekly decline since records began in 1967.

But the Labour Department conceded that almost all the improvement was attributable to the end of a two-week shutdown at General Motors car plants in Michigan.

Given reports this week of another decline in durable goods orders and diminishing consumer confidence, there remains little statistical evidence of recovery. Business inventories in the second quarter, for example, rose by a revised \$9.2bn, having fallen by \$12.8bn in the first quarter.

Cleaning up after Andrew

ARMIES of workers fanned out across storm-battered Louisiana yesterday to begin a massive rebuilding effort after Hurricane Andrew flattened whole neighbourhoods, killing two people and injuring dozens more, Reuter reports from New Orleans.

State officials said they had no overall count of storm-related injuries, though initial estimates placed it at fewer than 100. It was still too early to estimate total damage, officials said, but the Federal Emergency Management Agency said it was setting aside \$77m (£38.7m) to help Louisiana's recovery.

Though some areas of Louisiana were flattened by the hurricane, most of the storm's fury



DAMP DELIVERY: An unidentified optimist wades to a mail box in Louisiana while hurricane floodwater is still high

was spent against sparsely populated farming communities and swampland, sparing the state the widespread destruction caused earlier in the week in Florida, where 15 people died and damage estimates range as high as \$30bn.

According to latest official estimates in Miami, Hurricane Andrew wiped out the homes of one in eight residents of Dade County - a quarter of a million people.

Andrew had become little more than a strong rainstorm

by early yesterday, moving across Mississippi and heading for the northeastern US.

Besides the physical damage to buildings and homes in Louisiana, several of the state's main industries were affected, including the oyster

and alligator industries. Wildlife and fisheries secretary Joe Herring estimated a 50 per cent decline in the alligator industry. The cotton and sugar cane crops were threatened, the state Agriculture Department said.

Most Louisiana oil refineries, however, were barely affected and deliveries of crude oil were expected to resume yesterday. About 200,000 homes were still without power yesterday, including 100,000 in Baton Rouge.

National Guard troops patrolled several communities with dusk-to-dawn curfews. In LaPlace, 40 miles west of New Orleans, police roadblocks restricted all travel.

Miami police said yesterday 122 people had been arrested for violating the 7pm-7am curfew - nearly double the figure for the previous night. Six were arrested for looting.

Authorities in south Florida are extremely concerned about the number of people who are believed to be arming themselves to guard their property.

"It's dark out there and it's hard to see anything - don't shoot. It may be a policeman, it may be a National Guardsman, it may be your neighbour," said police spokesman Ralph Fernandez. However, no such shootings have been reported.

Beating a path to the quiet man's door

Christina Lamb reports on Brazil's vice-president, in line for the top job via a corruption scandal

MR Itamar Franco, Brazil's bespectacled vice-president, and the man who would take office if President Fernando Collor were ousted, was until recently considered Mr Collor's best weapon in his struggle to stay in power.

Dogged by a reputation as negative as that of Mr Dan Quayle, his US counterpart, Mr Franco has marked his 2½ years in office by querulous criticisms of the government and outspoken opposition to some of its policies, causing him to quit Mr Collor's party. Since he tried to sack the justice minister while Mr Collor was travelling, Mr Franco has not been allowed to sign anything during the president's frequent foreign trips.

Today, though, senior politicians and businessmen are beating a path to the vice-president's door. Mr Collor's position appears very shaky after the approval on Wednesday of a congressional investigating commission of a report accusing him of massive corruption.

Mr Alexandre Barros, a political consultant who prepared a detailed profile of Mr Franco in June, says: "Initially

DEFLECTIONS from the pro-government parties in Brazil are increasing after the vote on Wednesday to approve a congressional report accusing President Fernando Collor of massive corruption. A poll of Congress members by the Folha de São Paulo newspaper shows support for impeachment doubled in the last 10 days, reports Christina Lamb in Rio de Janeiro.

The opposition now has 300 of the 336 votes necessary to approve an impeachment process, with a further 165 deputies still undecided. Discussions on a transitional government are already under way.

Both sides spent yesterday marshalling their forces and homing in on the fence-sitters. Mr Collor has begun telephoning members personally to ask for their support.

Senior Brazilian government officials have begun admitting for the first time that Mr Collor no longer has the congressional support necessary to fend off the impeachment process, now due to be initiated on Tuesday.

Dom Luciano Mendes, head of the Catholic Church in Brazil, was expected yesterday, in a meeting with the justice minister, to add his voice to those calling for Mr Collor's resignation. The governors of

the country's 13 largest states have all come out against the president and leaders of the country's powerful business community will meet in Rio de Janeiro on Monday to decide their position.

Officials are blaming Mr Collor's dwindling support directly on his recent call for people to take to the streets dressed in national colours to support him. This backfired, prompting a wave of anti-Collor demonstrations which is growing daily. An expected presidential address to the nation last night was delayed, apparently because of lack of agreement among his advisers over its content.

He opposed the privatisation of the Usiminas steel mill and criticised Mr Collor's modernisation policies. During the crafting of the 1988 constitution, he voted for protection of Brazilian companies.

However, analysts point out that Usiminas is based in Mr Franco's home state of Minas Gerais, and they believe it would be difficult to alter the direction of economic policy because most of Brazilian society backs the move towards modernisation.

Mr Carlos Langoni, an economics professor at the Getúlio Vargas Foundation, says: "The market will not change the

agenda because there's no alternative - simple as that. He might move more slowly, however, on trade liberalisation and privatisation."

This view is confirmed by Mr Franco's close friend, former vice-president Aureliano Chaves: "Current policy is in the right direction, but there could be more attention to social needs."

As a sign of his conversion, Mr Franco seems to have agreed to keep on Mr Marcelo Marquês Moreira, the well-respected economy minister, in a national unity government.

However, if the vice-president does step up a rung, he

will be backed by a broad political coalition, which, while facilitating the passage through Congress of such bills as crucial fiscal reform, will also put pressure on him to give key portfolios to political allies, particularly from the Democratic Movement (PMDB), the largest party.

It could not have been easy for Mr Itamar to be deputy to a man who refused to allow him into decision-making. In April, for example, when Mr Collor abruptly sacked his whole cabinet, Mr Franco only found out from television. Any sympathy he might have felt for the president was lost when he discovered that the presidency was investigating his tax returns in an apparent attempt to discredit him.

As the clamour grows for Mr Collor's resignation or impeachment, Mr Franco sits and waits, while his aides make a concerted effort to improve his image. After meeting Mr Franco this week, the influential Senator Fernando Henrique Cardoso said the vice-president was reforming his ideas. "The Itamar of Usiminas will not be the Itamar of the presidency," he said.

NEWS: WORLD TRADE

Dunkel urges accord over Gatt differences

By Frances Williams, in Geneva

MR ARTHUR DUNKEL, director-general of the 104-member General Agreement on Tariffs and Trade (GATT), has again called on those nations blocking conclusion of the Uruguay Round of trade talks to settle their differences so that "results from which every trading nation will gain" can be speedily implemented.

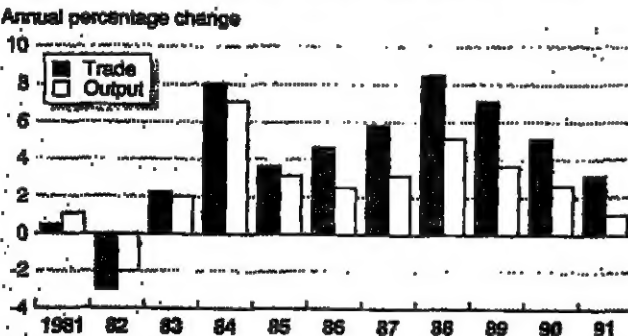
The six-year-old round has been stalled since last spring by the failure of the US and the European Community to reach an accord on cutting farm subsidies.

In his introduction to the world trade body's annual report, GATT activities 1991, published today, Mr Dunkel says the draft agreements which are already on the table from the Uruguay Round negotiations are "relevant, precise, balanced and urgently needed answers to some of the biggest economic challenges of the day."

The round, the most ambitious ever attempted, would reduce tariff and non-tariff barriers, strengthen GATT rules, extend them for the first time to textiles and agriculture, and devise new international rules for trade in services and intellectual property such as patents, trademarks and copyrights.

In contrast to most international negotiations, the round's ambitions have risen rather

Volume of world merchandise trade



than fallen over time, Mr Dunkel says, citing examples where negotiators have gone well beyond the original objectives.

The report itself draws attention to the sharp drop in growth rates of world output and trade since 1988, to which uncertainty over future trading rules has contributed.

It also notes an increasing reluctance of countries to implement in full the judgments of GATT dispute panels, often on the grounds that this must await the round's conclusion.

"The keys to a conclusion are held in a very few hands," Mr Dunkel says in his introduction, without naming names.

Trade officials said yesterday that talks on farm trade between the US and EC were expected to shift into high gear

once the French referendum on the Maastricht treaty on September 30 was out of the way.

The two sides must reach agreement before the end of the year if the Uruguay Round package is to be finalised in time to meet the March 1993 deadline for expiry of the US administration's "fast-track" negotiating authority.

Both Mrs Carla Hills, the US trade representative, and Mr James Baker, now President Bush's chief of staff, have recently stressed the importance of finishing the round.

US officials said yesterday they did not think the upcoming presidential election would inhibit the negotiations.

Mr Dunkel has already begun to take soundings to ensure that if and when the bilateral deal is reached the round can be swiftly concluded between all 108 participants

Peru pulls out of trade bloc

By Our Foreign Staff

PERU has temporarily withdrawn from the Andean Pact, the five-nation trade bloc which groups it with Bolivia, Colombia, Ecuador and Venezuela, adding further confusion to the patchwork of trading arrangements developing among the Andean countries.

Peru will assume observer status in the pact until the end of 1993, when it is scheduled to resume as a full member.

The Peruvian government blamed its current economic difficulties for its decision to withdraw.

The pact has been in difficulty since Venezuela broke off relations with Peru in April over the suspension of the television constitution by President Alberto Fujimori.

However, the other four members finalised an agreement reached last December in Colombia on common import duties on a series of products.

The duties at four levels, from 5 to 20 per cent, will take effect on October 31. There will be a transitional period until the end of 1993.

It also emerged that Colombia and the new government of Ecuador would try to negotiate their own free trade pact to come into force on September 30.

The governments also agreed to allow member countries greater freedom to negotiate their own free trade arrangements.

Russia updates air traffic control

John Thornhill and Daniel Green on a \$10bn modernisation project

RUSSIA is considering a series of proposals to modernise its antiquated air traffic control (ATC) network - a project which could cost \$10bn (£5bn) and take more than a decade to complete.

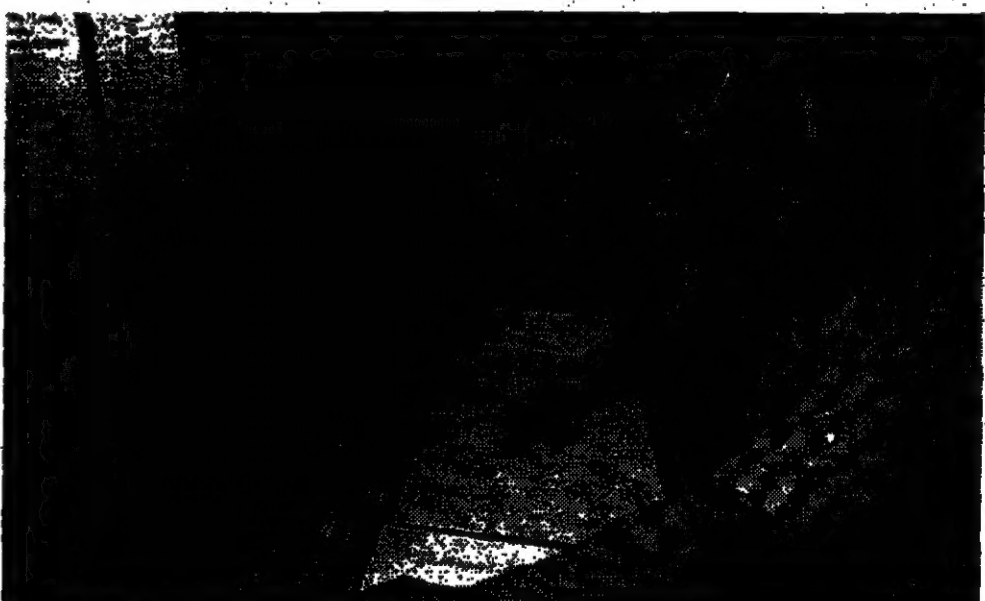
Thomson CSF, the French group, and a rival consortium of international companies called Gats (Global Aviation Transport Systems and Services), have each submitted detailed feasibility studies to the Russian government.

A provisional decision is expected by the end of the year. It is likely to be followed by other members of the Commonwealth of Independent States, which in June signed a co-operation deal on regulating the use of airspace in their countries.

The pressure for a new ATC system is growing. More than 50 airlines have apparently emerged since the breakup of the old Soviet Union. Thirty have already received licences for international carriage, and 20 are being registered with the International Civil Aviation Organisation (ICAO) and the International Air Transport Association (IATA), which assigns airline designators and codes.

More capacity in ATC might also encourage western airlines travelling between Europe and Asia to fly over Russia and pay it fees in hard currencies.

Westinghouse of the US, part of the Gats consortium, stresses a strategic need. "I do not think that the Russian economy will go anywhere until they begin to implement this ATC system. You have to be able to move goods across



Russian air traffic controllers at a Moscow airport

the country. It is a key element in stabilising this entire area," says a spokesman.

Russia has indeed named aviation as a strategic industry for development, and improving ATC is part of the drive towards better civil aviation.

The government has identified the ATC network as a priority field for investment - although its ability to pay for the project is limited by budgetary constraints.

Mr Anatoli Fyrysk, head of Russia's governmental commission on air traffic, says western involvement is vital. "This is a very urgent issue because the ATC system is about to disintegrate and there is no other way to solve the problem. Russia is not able to modernise the system on its own," he said.

Although a big up-front capital investment will be needed to initiate the modernisation project, western experts believe further development could be largely self-funding.

At present, they argue, airspace over the former Soviet Union is wasted for historical security reasons: commercial aircraft are still restricted to very narrow corridors.

Gats is widely seen as the front-runner among the competitors for the contract, on technical grounds. It pools the skills of seven western companies including Westinghouse, Hughes Aircraft, IBM, AT&T, the Jerry Thompson design company from the US, German's Daimler-Benz group, and C. Itoh of Japan.

It has developed a five-stage plan to modernise ATC for the

former Soviet Union, involving up to 8,000 individual projects. The programme would take until the year 2015 to complete.

However, a rival set of proposals from Thomson CSF, which has experience of introducing regional ATC networks in the former Soviet Union, also has many attractions, including financial backing from the French government.

Western aviation experts believe that unless the CIS countries move soon to co-ordinate a development programme, some former Soviet republics will introduce incompatible ATC systems.

The Baltic states, for example, have been more concerned to become integrated with western European networks than with those operating in the CIS.

Eskom in R470m power deals

ESKOM, the South African power utility, has said it will be participating in three projects costing about R470m (£28m) to help ease an energy crisis in neighbouring states, writes Philip Gawth in Johannesburg.

Mr Ian McRae, Eskom's chief executive, told a news conference yesterday that countries such as Zimbabwe and Zambia, which rely heavily on hydro-power, had been badly affected by the very severe drought in the region.

Mr McRae gave details of three projects which could

realise a vision he has long had of creating an interlocking regional power grid hitherto impeded by South Africa's pariah political status.

● Linking the South African grid at Messina in Northern Transvaal with the southern Zimbabwean grid at Beit Bridge. This will cost about R7m and should allow 400MW of power to flow into Zimbabwe.

● The second, costing about R15m, involves strengthening links between the Spitskop power station in the north-western Transvaal and Gaborone, the Botswana capital.

From here the power will be transmitted northwards via existing lines to Francistown, and from there to Bulawayo, a key link in the Zimbabwean grid. This will allow 100MW to flow from Eskom into the Botswana system.

● The most ambitious scheme, still not finalised, involves spending R315m developing a line which runs from the Matimba station in Northern Transvaal, across south-eastern Botswana, to Bulawayo. This would take 500MW of power into the systems of these countries.

Pemex in Texas deal

Petroleos Mexicanos, the Mexican state oil company, and Shell Oil of the US have signed a memorandum of understanding under which Pemex would take a 50 per cent share in a Shell refinery in Texas, writes Stephen Fidler.

The outline agreement, over a 225,000 barrels-per-day refinery in operation in Deer Park, Texas, also envisages long-term agreements over deliveries of Pemex crude to the refinery and deliveries of unleaded gasoline into Mexico, where there is a shortage.

Garment factories 'more modern than in west'

By Daniel Green

SOME RUSSIAN garment factories are more modern than their western counterparts, thanks to heavy investment until two years ago, said a report yesterday.

German, French and Italian clothing companies are using the factories to manufacture for their home markets, attracted by the combination of modern technology and low labour costs. However, poor supplies of raw materials meant the plants were assembling clothes from imported cloth, thread and accessories.

Three of the five factories visited by

researchers from Strathclyde Graduate Business School were making clothes for German, French, UK and Finnish markets. Labels included GEA, the Dutch-owned retail chain, and Littlewoods of the UK.

They have been attracted both by labour costs of less than \$5 a month and by the presence of machinery bought two or three years ago with export credits at artificially good exchange rates. Such credits are no longer available.

"Companies have very new and sophisticated western design and production equipment sourced from Italian, German or American manufacturers," says the

report. "Some computerised design and layout systems would be the envy of many western companies."

Russian exports to the west are not subject to quotas under the multifibre arrangement, a list of bilateral agreements between clothes importing and exporting countries designed to protect manufacturing in high cost countries.

However, inflation and costs were very variable and therefore "it is not surprising to report that all of the agreements [between western and Russian companies] we saw in action were for one to three month periods."

Active future forecast for UK North Sea rigs

By Neil Buckley

THE UK North Sea will be an area of substantial production and activity for at least 25 years, although jobs will continue to be lost, according to a report released yesterday by the Grampian Regional Council in Scotland.

The Grampian Regional Council's department of economic development and planning, says more than 90 new fields are likely to be developed over the next 20 years. This would support nearly 50,000 jobs in the Grampian region, which includes Aberdeen, throughout the 1990s.

Some 15 new fields will come on-stream over the next two and a half years.

However, a lower level of construction work and drilling in the next couple of years means there could be more redundancies to add to the 1,500 jobs lost in Grampian in the past year.

While 52,500 workers are employed in the oil and gas sector, this is likely to fall below 50,000 by 2001 and 46,000 by 2006.

New fields will require less offshore labour, with increasing use of automated and sub-sea structures, but the city of

Aberdeen should continue to attract management functions onshore. This could lead to a higher quality of locally-based employment, with a positive effect on the rest of the economy.

The positive outlook in this report contrasts with more gloomy forecasts after recent lay-offs at construction yards.

Nearly 1,500 redundancies were announced at the McDermott Scotland yard in Ardersier, near Inverness, last month, and the Scottish Trades Union Congress warned this week that both RGC Offshore at Methil, Fife, and Highland Fabricators at Nigg Bay, north of Inverness, were "facing mass redundancies in the face".

North Sea output jumped more than 16 per cent in July as offshore maintenance activity ended, according to the Royal Bank of Scotland's monthly oil index.

The increase boosted UK earnings from the North Sea by more than 8 per cent, which could help the next economic output figures show a rise, the bank said.

The second quarter figures showed only a downturn in the oil and gas sector prevented the whole economy showing a rise in output.

TRANSPORT POLICY

By Richard Tomkins, Transport Correspondent

A REVOLUTIONARY rail freight service launched just 11 weeks ago by Mr John MacGregor, the transport secretary, collapsed as its operator called in the liquidators last night.

The service, operated by Charterall, was cited by Mr MacGregor as an example of how freight could be switched from road to rail.

Failure of the experiment will not only deeply embarrass Mr MacGregor, but will also cast severe doubts on the long-term prospects for rail freight in the UK - particularly after rail privatisation.

The revolutionary aspect of the collapsed freight operation is that it offered a door-to-door rail freight service by switching lorry trailers on to specially adapted rail wagons for the long distance part of their journeys.

Launched by Mr MacGregor on June 11, it ran nightly each way between rail depots in London and Glasgow, Scotland, with an intermediate stop at Warrington, Cheshire, to serve the Manchester area. Customers include Coca-Cola, Nestlé, Ranks Hovis McDougall and Safeway.

The service has failed because it was not making money. Charterall, 78 per cent owned by the private sector and 22 per cent by British Rail, the

state-owned railway operator, said it could only survive if BR cut its charges for use of its locomotives, staff and tracks.

BR, which has no active involvement in Charterall's management, said proposals put to it by Charterall were unacceptable. "We are not prepared to operate the service at a loss," it said.

The Department of Transport said it had not been involved in the negotiations, which were a purely matter between the two parties.

In addition to the London-Glasgow service, Charterall had a longer-standing contract to deliver petfood from the Pedigree Petfoods plant in Melton

Mowbray, Leicestershire, to London. This service seems likely to be taken over by BR's Railfreight Distribution subsidiary.

Charterall's difficulties highlight the problems which railfreight operators face in competing with road transport, which has much lower costs. This problem may worsen after privatisation all railfreight operators will have to start paying a commercial rate for the use of the railway tracks.

Building the Channel Tunnel's high speed rail link must be speeded up by the government if the tunnel is to achieve its potential by the turn of the century, according to the Char-

tered Institute of Transport.

The transport secretary must "start the process rolling now if the link is to have an outside chance of being operational by 1999, the institute said in a new report - *Slow Progress to a Fast Link*."

The report says the link should accommodate commuters and international passengers.

It also calls for the provision of adequate through trains beyond London.

Mr Jim Cleary, chairman of the institute, said: "The tunnel will not achieve its potential for the UK by the turn of the century unless the government speeds up the building of the link."

Britain in brief



Government 'failing' in shares goal

The government is further than ever from achieving its goal of creating a nation of individual shareholders, according to figures from the Central Statistics Office.

In its August Economics Trends Bulletin, the CSO says the percentage of UK quoted company shares held by individuals and unincorporated businesses fell for the third successive year to just 80 per cent in January this year.

In January 1991, the figure was 20.5 per cent and in 1981, not long after the Conservatives won power and before most of the privatisation programme had got under way, the proportion was 37.5 per cent.

More than half UK company shares are in the hands of financial institutions. Pension funds hold 31.1 per cent of all shares, down marginally from 31.4 per cent the year before while insurance companies increased their percentage of shares by 0.3 per cent to 20.7 per cent.

German yard wins QE2 deal

Blohm and Voss, the Hamburg shipyard, has won the contract to repair the QE2, the Cunard cruise liner, which ran aground off Massachusetts earlier this month.

The German yard won the contract believed to be in the region of £15m in the face of stiff competition from eight US and European shipyards.

Cunard, Blohm and Voss, and Commercial Union, the liner's main insurer, refused to release any figures. Marine sources, however, estimated total repair costs, including some £2.5m initial repair work, and losses through interrupted services could exceed £40m.

Fewer youths find work

An estimated one in six of people aged 16 to 24 are out of work, and the rate of unemployment for the age group has nearly doubled in the past two years, according to figures published by an independent employment research group.

The analysis by the Unemployment Unit and the charity Youthaid showed that 888,700 young people, 16.6 per cent of the workforce of that age, are looking for jobs or waiting for a Youth Training (YT) scheme place. This is the highest such figure since January 1987.

Two years ago the rate was 8.5 per cent. The Unemployment Unit said although this represented 511,400 people the rate had almost doubled because there were just over 500,000 fewer people aged under 25 in the workforce now.

Acorns seeks new market

Acorn, the Cambridge-based personal computer manufacturer which dominates the UK schools market, is attempting to break out of its educational niche with a swathe of products aimed at the home and professional markets.

Acorn claims its computers are used by 90 per cent of UK schoolchildren.

Acorn, in which Olivetti of Italy has a majority stake, has had some difficult years because of the recession. It hopes customers will be attracted by the power of its ARM microprocessor. The processor will also be used by Apple Computers of the US in a revolutionary pocket computer called Newton.

Islands get SeaCat link

A high-speed car ferry linking the Channel Islands with the British mainland and France is to be launched in spring next year.

It will halve the shortest journey time offered by the existing conventional car ferry operated by British Channel Island Ferries, based in Poole, Dorset, which currently enjoys a monopoly on the route.

The service, to be launched by the Guernsey-based Condor ferry company, will employ water-piercing car-carrying catamarans similar to the Sea-Cats operating on cross-Channel routes. The first catamaran, built by International Catamarans in Tasmania, Australia, will carry 600 passengers and 80 cars at a speed of 35 knots. It will be joined by a second vessel with a passenger capacity of 450.

Tax deters voter registration

An official survey suggests that the poll tax - the controversial charge introduced to pay for local services - caused fewer people to register as voters.

The survey, by the Office of Population Censuses and Surveys on behalf of the Home Office, found that the percentage of households returning a form for the 1991 electoral register was lower than in any previous annual survey. The forms would have been sent out in early autumn 1990, shortly after the introduction of the poll tax.

Just over half the local authorities in England and Wales received a completed form from at least 85 per cent of households. However, the response rate for a quarter of the councils was less than 90 per cent, and under 80 per cent for one in eleven.

College staff plan strike

Clerical staff in polytechnics and colleges of further education said they will strike over pay for two days at the beginning of the autumn term.

The two-day stoppage is planned for September 29 and 30. National employers have offered staff a 4.3 per cent pay rise. Nalco claimed a 10 per cent rise, a 35-hour week and improved leave.

Almost 11,500 members of Nalco, the local government union, took part in a recent one-day strike over pay, the union said.

Deadline on school places

Local education authorities in England have been given three months by the government to produce detailed plans for reducing surplus school places.

If they fail to produce satisfactory plans to eliminate the estimated 1.5m surplus places, Mr John Patten, education secretary, will take statutory powers to impose his own plans.

He also intends to take powers to close grant-maintained schools where they are carrying an unacceptable number of surplus places. This raises the prospect of the forcible closure of schools that have opted out of local education authority control.

New policies urged on CO2

New policies to remove distortions in the energy market could cut UK carbon dioxide emissions by 40 per cent as well as putting money back into the economy, according to a study published today by Friends of the Earth.

The report by Dr Tim Jackson, an independent consultant on energy and environmental policy, says failure to take action means that market distortions will continue to misdirect £2m on investment towards uneconomic and carbon-intensive technologies.



Pensioners protest yesterday at government plans to equalise pension ages upwards to 65 to comply with EC directives

Pension watchdog urges law review

By Norma Cohen, Investments Correspondent

THE government's pensions ombudsman, the industry's watchdog, said yesterday he was able to resolve only 47 of more than 2,100 complaints received by his office last year.

Nearly half were rejected for consideration because they were either out of his jurisdiction or concerned events that happened too long ago.

Mr Michael Platt was delivering the first annual report since the office was established early in 1991.

"I think it only right to record that my inability to act in these circumstances has given rise to a sense of frustration among the members of some schemes who are worried that their pension rights may be insecure," he said.

He said this lack of power should be taken up by government advisers currently reviewing pensions law.

Mr Platt said the recession had tempted some employers to use their pension schemes in ways they should not.

In some cases, this has resulted in underfunding of the

scheme or in self-investment in a parent company already under pressure.

Some of the complaints received by his office but determined to be out of his jurisdiction concerned the employers' use of pension scheme surpluses for their own purposes. Mr Platt urged the government to consider clarifying in law the question of the ownership of surpluses.

The average complaint took seven months to handle, a period which Mr Platt said was too long to meet the requirements of the Citizen's Charter.

Of the 47 complaints which were resolved by his office, only 18 were upheld in favour of the complainant and a further four decisions supported the complainant in part. In 22 cases, the complaint was not upheld.

A spokesman for the National Association of Pension Funds, the trade organisation for the pensions industry, said the fact that fewer than half the complaints proved justified was evidence that serious problems did not exist in the pensions industry.

BRITISH ASSOCIATION FOR THE ADVANCEMENT OF SCIENCE

Scientists could turn straw into food

By Clive Cookson

SCIENTISTS will soon be able to turn straw into a health food, the British Association meeting in Southampton heard, giving a possible use for unwanted straw that farmers will not be allowed to burn from next year.

Scientists in France, Sweden and Finland have this year unravelled the structure of enzymes from micro-organisms, which break down the materials - cellulose and hemicellulose - which are indigestible to humans.

Dr Peter Goodenough, of the Institute of Food Sciences at Reading University, is putting

together a European research consortium to build on that discovery, by developing improved versions of the natural enzymes.

"The application of protein engineering now opens up the possibility of amalgamating the activity of these enzymes into an industrial super-enzyme," Dr Goodenough told the meeting.

The consortium of 25 laboratories expects to receive £2m of funding for the project from the European Community.

One aim of the research is to convert wheat straw into a fibre-based food, which would be a beneficial dietary supplement, like wheat bran but

more palatable.

Dr Goodenough said the western diet needed more fibre, as it speeds up the passage of food through the gut. It could help prevent a range of diseases including bowel cancer, diabetes, obesity and gallstones.

The European project also aims to develop enzymes to convert waste straw into fuel for heating or transport.

The association was also told about new medical applications of protein engineering.

Professor Guy Dodson of York University is working with Novo-Nordisk, the Danish pharmaceutical group, to modify production of insulin, the

protein that controls sugar levels in blood.

They are making a form of insulin which is absorbed more quickly than the natural material, and may therefore be more suitable for use by diabetics, either by injection or by transfection from a patch on the skin.

Dr David Bloxham, research director of Celltech, the British biotechnology company, also told the conference that a new cancer treatment based on a genetically engineered antibody linked to calicheamicin, a potent chemotherapy agent, was being developed in a joint project with Cyanamid of the US.

Professor confronts cold fusion doubters

PROFESSOR Martin Fleischmann confronted doubters of his controversial "cold fusion" discovery at the British Association meeting last night, Clive Cookson writes.

Prof Fleischmann showed a video of a cold fusion cell, containing a platinum electrode about an inch in diameter and six inches high immersed in heavy water. The cell was bubbling intensely and, he said, emitting one kilowatt of excess heat per cubic centimetre - similar to the output of a fast breeder nuclear reactor.

The experiment was filmed at the laboratory in the south of France where he and his American collaborator Prof

Stan Pons are now working for a Japanese-funded "think-tank" called Technova.

Fleischmann-Pons cells have never been run for more than a hour, he said. They are always shut down then "for safety reasons" to avoid uncontrollable boiling and a possible explosion. (A cold fusion researcher at SRI International was killed early this year when a cell blew up.)

Most physicists have dismissed cold fusion as a delusion. But Prof Fleischmann said: "There are hundreds of people working on the topic and I would say they are spending tens of millions of pounds on it."

Greens caught in no-man's land

Leader sees party as liability to movement, writes Alison Smith

THE decision by Ms Sara Parkin not to stand for re-election as chair of the Green Party has exposed the party's position in no-man's land between pressure group and full-blown political movement.

"I have been forced to the conclusion that the Green Party has become a liability to green politics," Ms Parkin told her executive.

There are few in the party who would disagree. At the general election, the average Green share of the vote in the 264 seats where the party had candidates was 1.3 per cent - slightly lower than in 1987, and a far cry from the 15 per cent of the popular vote it won in the 1989 European elections.

Explaining why she no longer felt able to continue in office in the organisation, Ms Parkin yesterday cited the fact that a local party had invited Mr David Icke, formerly a leading party figure, to the party's conference in Wolverhampton in two weeks. This was in spite of an overwhelming vote by the party executive against his

speaking at the conference.

The executive felt, not unreasonably, that the appearance of Mr Icke, who shot to tabloid fame with his announcement that he was the "son of God" on a mission to save the world, would not help the environmental message. But it was unable to block the invitation.

The Greens themselves are still determined that they are a party rather than a single-issue organisation - the Wolver-

hampton conference will include debates on Europe and the recession as well as environmental policy after the Rio summit. Ms Parkin, who remains a party member, is due to speak in the Rio debate.

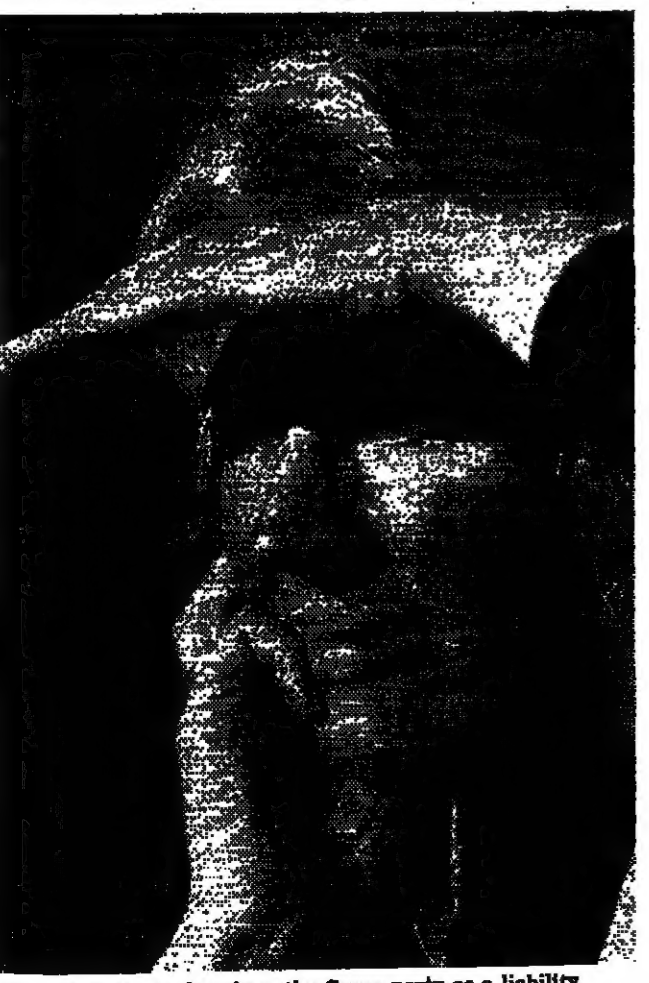
This approach may now, however, be part of the problem. Membership of the Green Party is still incompatible with membership of any other UK political party, and thus the

organisation is unable to exploit the numbers of Britons who are concerned about the environment.

There are fewer than 10,000 members in England and Northern Ireland - there are separate Scottish and Welsh parties - yet Friends of the Earth, the environmental pressure group, claims more than 240,000 supporters.

Even those members who remain face renewed bids to entice them away. Mr Simon Hughes, the Liberal Democrat environment spokesman, yesterday wrote to every Green party member, advising them that their party was dead and urging them to join the Liberal Democrats - "the really green party in British politics".

One Green official said yesterday Ms Parkin's decision was similar to the move made several years ago by Mr Jonathan Porritt, a leading environmental campaigner, to detach himself from the Green Party politics while continuing to be an effective "green" politician. Perhaps this is an area where party and politics don't mix.



No Parkin: the leader views the Green party as a liability

THE PROPERTY MARKET

The property industry's summer lull was deceptive. While its movers and shakers escaped to the Côte d'Azur, the heat was still on in London.

Market commentators have stopped talking about recovery in 1993 and, instead, wonder if forecasts of a recovery in 1994 are too optimistic. The anxiety is shared by the equity market, where property shares have plummeted to record depths.

At the start of the summer property analysts believed that rents might stabilise over the next year as the economic recovery took hold. Yields had stopped rising and seemed likely to harden in line with falling bond yields.

Optimists suggested that the recovery in the values of property such as retail warehouses and supermarkets were harbingers of a broadly-based improvement. In early June, Mr John Rithlat of British Land, one of the UK's largest property companies, cheered the market by declaring that "for the first time since 1989 we think we have seen the worst".

But over the summer, support for the market has been dragged down by increasing concern about the economy as a whole. As prospects for a reversal in employment trends deteriorate, so does the likelihood of a stabilisation of rents. Concern too over ratification of European Monetary Union and the recent volatility of leading currencies has discouraged those who believed that yields will come down with interest rates.

Even those who do not believe in a link between property yields and interest rates remain pessimistic. Mr Chris Turner of stockbroker BZW, for example, says that yields will remain high because there has

Ain't no cure for the summertime blues

There is no seasonal respite, writes Vanessa Houlder

been a "fundamental shift in investors' perceptions of the value of rental streams", as a result of over-supply, the shortage of credit, decline of the institutional lease and the fall in inflation.

A lack of market confidence has been widespread. A recent poll by Gallup for Chartered Surveyor Weekly found that fewer than half the country's senior property directors and fund managers believe there will be any meaningful recovery in the market before the second

Summer of discontent

half of 1994; a quarter believe recovery will not take place until 1995 or later. In a separate poll, fewer than half the bankers surveyed by Cherterton, the chartered surveyors, believe there could be a recovery in the next year.

Commentators have also downgraded their market forecasts. UBS Phillips & Drew, the securities house, expects further falls in average capital values of 11 per cent this year and 4 per cent in 1993. BZW, another broker, reckons capital val-

ues will fall by 10 per cent this year and 6 per cent the following year. But capital values for different types of property will tumble by different rates. BZW forecasts that office values will decline by 14 per cent and 7 per cent in 1993 and 1994 respectively, while retail property values will fall by 6 per cent in both years and industrial property by 6 per cent and 5 per cent over the same period.

Just as variations exist in different sectors of the market, so it is a mistake to generalise about locations and quality of property. For instance, the provincial office market is relatively robust, according to St Quintin, a chartered surveyor. With the exception of Glasgow, the largest regional office centres have a relatively small supply of new space. Rental growth averaged 7.7 per cent in Bristol, Birmingham, Leeds, Manchester, Edinburgh and Glasgow in 1990 and 1991.

Some analysts believe there is even a case to be made for the central London market. Applied Property Research (APR), an independent research group which has been pessimistic about the central London office market since 1987, has changed its view. APR's Mr Geoff Marsh suggests that supply and demand for the relatively small

number of large high quality buildings in the West End has already balanced out.

Even in the City, Mr Marsh says that well-located, modern buildings could be taken up much faster than analysts suggest. "My instinct is that things have hit bottom," he says.

This belief that the top end of the market is nearing recovery is not shared by all. Kleinwort Benson, a broker, says a shortage of modern office space in the City is unlikely to arise till well into 1995. In any case, the outlook for the market as a whole is still poor, with a particularly dismal outlook for old buildings, in the Docklands or on the City fringes.

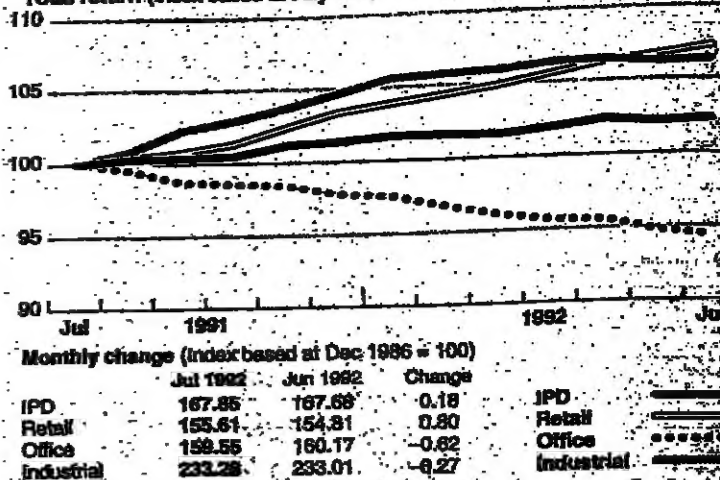
The dominant role played by the central London market in the portfolios of the large property companies explains in part the abysmal performance of the companies' share prices. With the largest property companies valued at half their prospective asset values and on average yields of more than 9 per cent, the market is in uncharted territory.

"The buyers for recovery have burned their fingers too many times and there are no buyers left to take over the running," said Kleinwort Benson earlier this month in a company bulletin.

At some stage, the property share market will see a sharp correction. However, given the stock market's traditional ability to anticipate a recovery in property values by at least 18 months, its present condition is hardly encouraging for the underlying property market. The message from the economy and the stock market is clear: all bets are off for a recovery in the property market for well over a year.

IPD monthly index

Total return (index based at July 1991 = 100)



Uncertain times

Economic uncertainty prevented the emergence of any clear-cut trend in the property industry in July, according to the Investment Property Databank, an independent research group.

Its monthly index showed a slight shortening of yields to 9.7 per cent, which resulted in a positive total return in July of 0.1 per cent. This was an improvement on the June figure but it lagged behind the previous two months.

The longer-term figures appeared more optimistic, largely because this summer's results have been better than those of last summer. In the year to July, total returns improved by half a percentage point to 2.3 per cent, the highest

level for more than two years. In spite of a further decline in rental values, year-on-year capital appreciation showed some sign of slowing with an improvement of nearly half a point over the June figure.

The retail sector posted a slight fall in total return in July to 0.5 per cent. The office sector improved with nearly half a point rise in returns to -0.4 per cent. For the year to July, returns reached -3.3 per cent, nearly a point higher than last month and the highest 12-month return since October 1990.

Total returns for the industrial sector also improved by nearly half a point. At 6.4 per cent, the year-on-year total return has fallen to its lowest level since November

CONTRACTS & TENDERS

IN THE NAME OF GOD

INVITATION TO INTERNATIONAL GENERAL TENDER NO. 71/5/B.KH

Sugar Cane and By-Products Development Corp., affiliated to Ministry of Agriculture of the I.R. of Iran intends to purchase two similar Pulp and Paper Plants, each holding capacity of 177,000 tonnes of writing and printing paper per year, through international general tender with certain specifications.

Machinery, equipment and utilities of the said plants have been divided into 10 sections and 10 separate tender documents including inter alia.

Descriptions of the tenders and the price of tender documents in U.S. Dollars and/or Iranian Rials are as follows:

TENDER No.	SUBJECT (FOR 2 PLANTS)	PRICE OF DOCUMENTS	
		U.S.\$	RIALS
1	Bagasse Preparation and Handling	1800	2,610,000
2	Fibre Storage and Reclaim	900	1,305,000
3	Fibre Line	6,000	8,700,000
4	Paper Mill	15,000	21,750,000
5	Finishing	4,000	5,800,000
6	Power Boiler & Feedwater Treatment	800	1,160,000
7	Turbo Generator & Steam Distribution	2,000	2,900,000
8	Evaporation & Recovery Boiler	2,000	2,900,000
9	Recalcitrating & Lime Kiln	900	1,305,000
10	Water & Effluent Treatment	900	1,305,000

Scope of works in respect of each section includes, manufacture and delivery of the machinery and equipment as per the prepared specification, supervision of their erection and commissioning as well as training of the company's staff.

Eligible manufacturers and firms may choose to participate in the tender for one or more or all of the 10 packages.

Tender Documents could be purchased at the following place as of 27 September 1992 to the closing of working hours on 8 October 1992 against presentation of a letter of introduction and the original receipt of the tender documents price to be deposited to the Account No. 770/17 with Bank Sepah, Khaled Islambuli Branch, Tehran-Iran in foreign currency or Account No. 512/44 with the same bank in Iranian Rials.

Secretariat of Transaction Committee, No. 60, Brazil Ave., Vanak Square, Tehran - Iran.

Sugar Cane and By-Products Development Corporation

URUGUAY PLUNA (NATIONAL CARRIER) INTERNATIONAL BID

As part of Uruguay's privatization process, the Government has decided to form a Joint Venture between the state carrier (PLUNA), and private investors, for the purpose of exploiting air transport together with tourist services akin or complementary to it.

PLUNA has landing rights at every major Latin America airport together with Miami (USA) and Madrid (Spain).

The private partner who will be entitled to 51% of the Joint Venture's stock and management rights will be selected through an international bid.

PLUNA invites applications for prequalification of merits and background of interested carrier.

Closing Day: September 10, 1992, 4:00 p.m. (local time)

Place: PLUNA
Colonía 1013, 7th Floor,
Montevideo, Uruguay

If you have any questions please contact, Dr. Julio Martinez,
tel. (598-2) 92 02 31 or fax (598-2) 92 14 78

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For further information please contact D R Wilton or I N Connolly, of Cork Gully, 43 Temple Row, Birmingham B2 5JT. Contact can also be made by telephone on: 0543 414505. Fax: 0543 418047, or to the Cork Gully office on: 021 236 9866. Fax: 021 200 4040.

Cork Gully is authorised in the name of Coopers & Lybrand by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

Cork Gully

COMPANY NOTICES

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LEGAL NOTICES

CLAL FINANCE N.V.
US \$250,000 GUARANTEED FLOTTING RATE NOTES 1994
The interest rate applicable to the above notes in respect of the interest period commencing 28th August 1992 will be 5.4%, per annum. The interest amounting to US \$22.50 per US \$1,000 principal amount and US \$27.06 per US \$1,000 principal amount of the notes will be paid on 28th February 1993 against presentation of a coupon No. 12.
BANK LEUMI (UK) Plc
Principal Paying Agent
bank leumi ליאון'ס בנק

LEGAL NOTICES

Notice of Administration Order
AREFOYLE HOLDINGS PLC
Registered Number: 293525. Notice of Business Intention: Trade Classification: 24. Administration Order Made: 18 August 1992. Joint Administrators: Ian Melrose & Roger Arthur Powell, 10, Tinsley Road & Co, PO Box 810, Priory Court, 65 Cranford Place, London EC3N 2HP. Office Holder: Westbury 2385 & 2822.

FRANCHISING

The FT proposes to publish this survey on September 23 1992. The weekday Financial Times is read by 83,000 of the UK's business managers and 24,000 Chairmen, MD's and deputy MD's, both essential target audiences interested in both sides of the Franchising coin. To reach those people and other important decision makers worldwide contact:
Gavin Bishop
Tel: 071-873 4780
Fax: 071-873 3064

Data source: BANC Business Survey 1990

FT SURVEYS

Business Opportunity Concrete Products Manufacturing Facilities

William A Lees (Concrete) Ltd (in administration); and Dynaspan (UK) Ltd (in administration).

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- Together with, or separately;
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Written offers to be received by 4 September 1992.

For more information please contact:

Price Waterhouse
(Ref: I D V Kerr)
Roxton House, 34 Upper Queen Street
Belfast BT1 6HG
Fax: 0232 246597

Price Waterhouse

LEGAL NOTICES

IN THE HIGH COURT OF JUSTICE

CHANCERY DIVISION

IN THE MATTER OF WELPAC plc

and

IN THE MATTER OF THE COMPANIES ACT 1985 AND 1989

NOTICE IS HEREBY GIVEN that a Petition was on the 12th day of August 1992 presented to His Majesty's High Court of Justice for the confirmation of the reduction of the capital of the above-named Company from £6,826,747.04 to £3,000,000.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before Mr Registrar Buckley at the Royal Courts of Justice, Strand, London WC2A 2LL on Wednesday the 7th day of October 1992.

ANY Creditor or Shareholder of the Company desiring to oppose the making of an Order for the confirmation of the said reduction of the capital of the Company should appear at the time of the hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undersigned Solicitors on payment of the regulated charge for the same.

Dated this 28th day of August 1992

Abay Wilton

6 Grosvenor Hill

London EC4R 3DS

Ref: E. MACVIDES

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MUSEUMS AND GALLERIES Society

Switzerland; transfer of Picture Object

Switzerland in 19th century 14.1.

27.9.1992, Daily 10-17.1.

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FINANCIAL TIMES

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W hen Hurricane Andrew hit the southern United States, Michael Skapinker on how Thomson copes when a tourist spot becomes a disaster area

Holidays in hell

Thomson Holidays, the world's largest holiday company, reckoned they would be spared their usual problem of persuading tourists of the seriousness of the situation.

If radio and television warnings did not convince holidaymakers that they should leave the area, Thomson executives thought the sight of locals boarding up their windows and abandoning their homes probably would.

Chernobyl, the Gulf War and the civil conflict in Yugoslavia have given Thomson skills which go beyond booking hotels and printing holiday brochures. The company, which takes more than 3m Britons abroad on holiday every year, has had to learn to cultivate foreign politicians, negotiate roadblocks and evacuate holidaymakers when airports are closed.

Rivals in the travel industry complain about Thomson's arrogance and spite at its perceived inability to react quickly to shifts in holiday-makers' tastes. They give the company high marks, however, for its skill in extracting its customers from uncomfortable holiday spots. On a single day last year, the company successfully evacuated over 500 holidaymakers from Yugoslavia.

Thomson was spared the need to carry out a full-scale evacuation from the US this week because Hurricane Andrew passed south of Orlando, site of Walt Disney World, where the company had 4,500 holidaymakers. It did have 114 customers in the Bahamas, directly in the hurricane's path. Of those, 104 were

flown home last weekend and 10 were evacuated to Orlando. An additional 135 tourists in Fort Lauderdale, north of Miami, were also flown to Orlando.

The company reported little resistance by holidaymakers to being moved out of danger. Tourists at the centre of previous disasters have not been so obliging.

At the time of the Chernobyl nuclear accident in 1986, Thomson had 192 tourists in the Soviet Union, some in Leningrad and others travelling from Kiev to Moscow. The company flew a Boeing 767 to Moscow, but found that many of the travellers, assured by their Soviet guides that they were in no danger, were reluctant to leave.

Martin Brackenbury, who was then deputy managing director of Thomson Holidays, says the company sent a large supply of British newspapers, complete with lurid headlines about the nuclear catastrophe, with the aircraft. The tourists boarded the aircraft grumbling, picked up the papers, fell silent and buckled their seat belts.

Thomson has had to ensure that, in coping with disaster, managers

do what they know best. After some confusion of roles during previous emergencies, Thomson has now established the rule that policy-makers decide on such matters as when to stop sending tourists to troubled areas, leaving operations managers to deal with the mechanics of getting customers home.

Julia Jennings, Thomson's operations manager, says reviews after each large evacuation have led the company's management to divide itself into "thinkers" and "doers". "Responsible managers always think they should be there doing things, but a director may not be the best person to arrange the aeroplanes," she says.

Central to Thomson's disaster management is a glass-walled 24-hour duty room at the company's north London headquarters. Two staff members scan computer screens, noting such humdrum problems as aircraft delays and runway closures. Above the screens is a board of emergency numbers of senior Thomson staff. In the corner is a black telephone, capable of handling a conference call involving up to 12 people, which Thomson



Roofless in Miami: Thomson had to evacuate tourists in the Bahamas out of the path of Hurricane Andrew

resorts ring in case of emergency.

The company is constantly on the alert for news of widespread civil unrest or impending war. Its travel representatives abroad are one source of information. They are usually British, however, and might

not be aware of local political undercurrents.

More useful in the gathering of intelligence are Thomson agents abroad. These are usually successful local entrepreneurs who have worked as Thomson contractors.

selling day trips to customers or providing coach services.

It was Thomson's agent in Tunisia who alerted the company to the anti-American demonstrations taking place in the run-up to the Gulf War and warned that anti-British

feelings were likely to develop too.

The company also maintains frequent contact with the Foreign Office, although Thomson, along with other travel companies, believes that British diplomats sometimes understate the danger to tourists. "The Foreign Office can be quite conservative," says Jennings. "We have to push them into making a statement."

If it appears to the duty room staff that a crisis is brewing, they contact one of the managers delegated to deal with disasters, who decides whether to set the company's emergency procedure in train.

This involves the marshalling of three teams: the information team, which keeps communications open to the site of the emergency; the client welfare team, which fields calls and visits from concerned relatives; and the support services team, which books flight tickets and carries out whatever changes need to be made to the office arrangements in the Thomson building.

If the incident is sufficiently serious, the latter would include turning the staff canteen into a reception area for relatives and installing banks of press phones. Bill Ridley, the aviation manager, would turn his office over to the Kentish Town police, who would arrange for officers to visit next-of-kin to inform them of any fatalities.

The final part of Thomson's disaster management is arranging evacuation transport. The company owns a charter airline, Britannia, but it is not always possible to fly to the disaster area. For example, at the time of the Chernobyl disaster, the Soviet authorities refused to give Thomson permission to land until the May Day parade was over.

Cut the dividend not the development

Christopher Lorenz urges companies to improve the quality of their spending on R&D



He was half-right, but he may also prove half-wrong.

There are some indications that companies stunted on long-term investment in 1991 to bolster their dividends, such suspicions are always hard to prove, but the Bank of England hinted as much in its quarterly statement last week. More predictably, the dying National Economic Development Office said last month that cash which should have been spent on innovation has been diverted into dividend payments over a number of years.

On the other hand, leading companies have certainly created another growth industry over the

past few months: dividend cutting. Investment institutions are divided over its pros and cons, but the signs are that there is plenty more of it to come.

This is not the first time that top British companies have slashed their dividends in a profits or cash squeeze. In the last recession, ICI and several others did so. But various things are different this time.

First, with the recession worse and more prolonged than in 1980-81, the number of dividend-cutters looks like being far larger. Second, the ignominy associated with the practice is likely to be less. And third, the nature of the "short-termism" debate has shifted. Last time, most critics of those companies which maintained (or

increased) their payouts in the face of falling profits were worried that this was at the expense of capital investment; now the concern is over research and development.

In financial theory, well expounded recently by Professor Paul Marsh of the London Business School, companies never need to face a choice between dividend and investment levels; if they are short of retained earnings for investment, they can raise outside finance.

Yet this is not the way that many companies, and even some investment institutions, perceive the situation. Instead they complain about the unbalanced trade-off that tends to be made in the UK between dividends and investment.

There are several reasons why

more concern is being shown this time about research and development than capital investment. Firstly, Marsh's own studies have shown that few sophisticated companies take capital expenditure decisions on financial grounds alone; long-term strategic factors also weigh heavily.

Research and development - or R&D, as the two activities are often misleadingly bracketed - is quite another matter. There have been few academic studies of how "R" and "D" decisions are made. My general impression is that they are still too often treated as dispensable items of annual expenditure, to be trimmed or slashed the moment profits slide.

Another reason for the emergence

of R and D as such an issue has been the belated realisation that human knowledge nowadays often adds greater competitive value and advantage than do mere machines and mortar. The government-backed Innovation Advisory Board has banged the "R&D" drum especially noisily.

Its most useful act has been to initiate the compilation of an annual "UK R&D Scoreboard" for over 300 companies, complete with (mostly damning) international comparisons. This year's list, published in June, contained for the first time each company's dividend payout - revealing some fascinating cases where R&D expenditure and dividend outlays were almost identical. Needless to say, the total

value of dividends grew rather faster in 1991-92 than did that of R&D.

The third reason for the new focus on "R&D" has been this summer's attempts by the Institutional Shareholders Committee and the Accounting Standards Board to persuade companies to disclose more information to the stock market.

The ISC's proposals are especially sensible. First, they propose that disclosed expenditure should be divided clearly between pure research, applied research, and product or process development. This overdue splitting of "R" from "D" would, as the ISC says, be helpful since each's time horizons, risks and potential returns differ. Moreover, it is in development rather than research, that UK industry

needs to put much more effort.

Second, the ISC's "development" category would be much wider than the current official accounting standard for R&D, and would include all development of existing products and processes, no matter how minor.

The all-important question of expenditure definitions has yet to be resolved. But if companies want stock market support, they should applaud the ISC's initiative, and not - as some have done - turn coy about making further disclosures.

Rather than merely complaining about continued pressure for unrealistic dividends, they should put their own house in order. The best way to do that is not to cut R, and certainly not D, but to increase the productivity of both. This is neither a short nor an easy task, but many Japanese and a few US companies have shown it can be done.

* FT August 12. See also LBS paper on Dividend Announcements and Stock Price Performance.

If an accident happened and you YELLED,

"Is there a middle manager in the house?"

would anyone come to the rescue?

What is a middle manager, anyway?

How do you measure? Memo count?

Meetings per hour (MPH)?

And now that we're all trying to

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They'll probably surprise you.

(They can't wait to be asked.)

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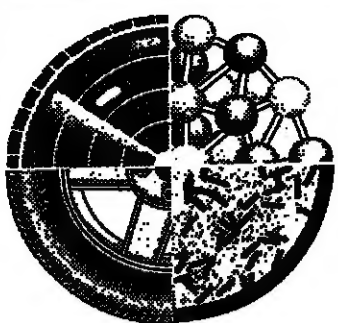
do without

middle

management?

TECHNOLOGY

Worth Watching · Louise Kehoe



Antidote for paracetamol

The British Technology Group has licensed Penn Pharmaceuticals, a manufacturer of products used for the prevention and treatment of poisoning, to manufacture and distribute tablets combining paracetamol with its antidote, methionine, which helps to prevent liver damage if large doses of paracetamol are taken. Although paracetamol, known in many places by the brand name Tylenol, is a widely used an effective pain reliever, an overdose can be fatal because it leads to irreversible liver damage unless the patient receives swift treatment. Methionine is an amino acid that increases the level in the liver of a substance called glutathione, which protects the liver from paracetamol poisoning. The combination of methionine with paracetamol in a single tablet or capsule provides a safer painkiller with built-in protection against liver damage. BTG holds patents on the combination. British Technology Group: UK, 071 403 6666. Penn Pharmaceuticals: UK, 0486 711711.

Cables stand up to the strain

American Superconductor has announced an advance in the quest for superconducting transmission lines, that can conduct electricity with little energy loss. The Watertown, Massachusetts company has produced prototype multi-stranded conductors that can withstand the rigours of bending and strain that would be faced in commercial use. Previous prototype cables degraded when the cables were bent or coiled. Special characteristics of the

wires making up the cable provide resistance to strain. Each wire is a composite of up to 10,000 internal filaments - microscopic superconducting elements - which run through the wire. In addition to saving energy, superconducting cables promise to enable electrical utilities companies to transmit larger amounts of electricity than on conventional cables, providing big cost and performance improvements. American Superconductor: US, 617 923 1122.

Speedy scanner devours documents

Transferring mountains of paper on to a computer system so that they can be indexed, filed and searched is a time-consuming and labour-intensive process. Either the documents must be re-typed or slowly fed into an optical scanner. Software from Ymijis (pronounced Y-mee-jis) Ltd makes the job faster and more accurate. The intelligent character recognition system can process text at less than three seconds per page. Thus documents can be fed through a scanner non-stop. With almost human cunning, the Ymijis system can decipher text that is skewed, enclosed in form-style boxes, shaded, inverse or imperfectly printed. Ymijis Ltd: UK, 081 518 1414.

Fingerprints on the plant pot

DNA fingerprinting is most commonly associated with forensic investigations and paternity suits, but researchers at the CSIRO division of horticulture in South Australia are using it to identify plants. Their work may lead to the establishment of a commercial facility for growers who want to guarantee the identity of their products and protect their rights to plant varieties. If, for example, a winery has produced a successful wine from a new grape variety, it can be positively identified using DNA fingerprinting. CSIRO has isolated small pieces of DNA, called microsatellites, which are characteristic of grapevines but which show minor differences in length between different varieties. CSIRO: Australia, 08 274 9244.

A rapid new technique for showing up genetic abnormalities, known as chromosome painting, promises to make the diagnosis of cancer and certain genetic diseases faster and cheaper.

The first chromosomal paint to reach the market is the result of a joint venture between the Lawrence Livermore National Laboratory in California and Imagenetics, a medical diagnostics company based in Illinois.

They have developed fluorescent tags which can specifically label each of the 23 pairs of chromosomes present in normal human cells. Each tag is a pool of between 10,000 to 100,000 fragments of DNA that will identify only the chromosome from which they have been made.

Another chromosome painting kit has been developed in the UK at Cambridge University's department of pathology and is being commercialised in collaboration with Cambio, a biological reagents supplier also based in Cambridge.

The products were developed initially for scientific research. Doctors are now hoping they receive quick approval from the regulatory authorities in the US and Europe for use in routine clinical diagnosis.

The technology enables scientists quickly and accurately to spot defects within cells, such as missing or extra chromosomes, or genetic material exchanged incorrectly between two chromosomes. The ability to identify genetic changes in evolving cancer cells should help doctors both to direct therapy to specific targets and to analyse the effectiveness of treatment.

Last October Imagenetics began commercial production of orange

Paint by number

Researchers have found a simple method of detecting disease, write Evelyn Brodie and Clive Cookson

paints for nine chromosomes. Each paint kit can perform 20 tests and sells for \$400 (\$200). Sales took off much more quickly than expected for a product sold for research purposes only, and according to the marketing company Life Technologies, the paint has generated record telephone inquiries.

The initial success recently led Imagenetics to offer the original nine chromosomal paints in an additional green colour, which will allow two chromosomes to be identified simultaneously within any cell. A second set, containing nine more chromosomal paints, will become available later this year.

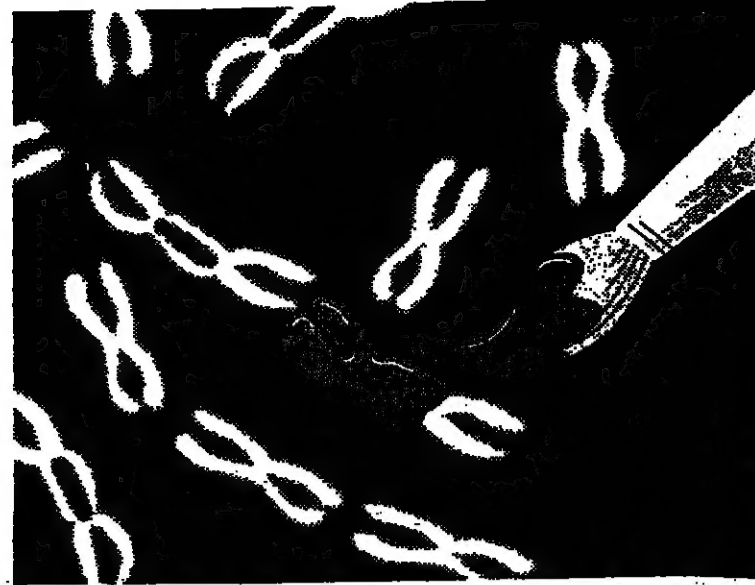
Doctors using the paints appear to have no doubt about their usefulness. For example, in patients with chronic myeloid leukaemia, genetic material from chromosomes 9 and 22 is mixed together - which can be identified using the paints.

If the leukaemia is progressing rapidly, several additional copies of chromosome 8 may be present within a cell. "Painting is proving

to be very important as a specific indicator of chromosome 8," says Robert Jenkins, co-director of the cytogenetics laboratory at the Mayo Clinic. "This enables us to monitor the progress of leukaemia patients and to diagnose the effectiveness of treatment much more cheaply and more accurately than with conventional methods."

It costs \$500-\$600 for each normal bone marrow sample, but only \$20 plus labour costs for each paint probe. "I would love the paints to be FDA [Food and Drug Administration] approved for clinical use - we have patients we could use them on tomorrow," says Jenkins.

In addition to the leukaemia research, scientists are developing specific chromosome probes to diagnose and track the aberrations associated with congenital abnormalities. Joe Gray and Dan Pinkel, who first developed the staining techniques at Livermore, left last year to head a team at the University of California Medical Centre in San Francisco, working on such probes



for clinical application.

For example, they now have a probe comprising part of Chromosome 21 which can determine whether a fetus has Down's Syndrome. And they are making progress with probes to identify solid tumours including breast and prostate cancers.

Tom Moser, project manager at Imagenetics, is hopeful that second-generation forms of chromosomal paints will achieve widespread clinical use. "The company and its clients are working very closely with the FDA to get approval for the clinical use of the second-generation probes. Any application is a test case, however, as the FDA has never approved a specific cell stain of this type, and has only approved

one genetic test for leukaemia."

A separate line of research is continuing at Livermore, where senior biomedical scientist James Tucker is using the staining to examine the genetic consequences for people who have been exposed to radiation. He is working with both Chernobyl victims and workers at British Nuclear Fuel's Sellafield plant.

So far blood samples from 14 Sellafield workers have been "painted" over the course of a year to quantify the damage that has accumulated to their white blood cells from long-term occupational exposure to radiation. British Nuclear Fuels says that up to 170 Sellafield workers will have been tested by the time the project is finished in 1994. Results will be published then.

Beethoven and the PC orchestra

Speech is coming to the personal computer. After more than a decade of being unable to produce anything more than a bong or boom to accompany computer games, full-blown stereo sound, speech and a wide variety of sound effects are now being included with the modern PC.

Compaq Computer is the latest PC manufacturer to join the "sound" trend, with the launch of its "Business Audio" feature - building a microphone and sound technology into a number of its new desktop PCs.

According to Compaq chairman Ben Rosen, the audio capabilities were a way of "adding customer benefit at no extra cost".

Compaq's idea was by no means original. Apple, NeXT and several other non-PC-compatible computer

manufacturers have offered microphones and sound capabilities on their systems for several years and hundreds of local "store-brand" PCs have for some months been offered with third-party sound add-ons and CD-Rom players in special "multimedia bundles".

Still the question remains whether people can be convinced of the value of this technology.

Proponents of PC sound claim that a direct, spoken comment is more powerful and more personal than a typed text message on-screen - and that if you can incorporate spoken comments into your desktop presentations, spreadsheet models and word-processed documents, they will be more effective in getting your message across.

As with many such innovations, the first big manufacturer to offer

this capability in full was Apple Computer, which included a microphone and built-in sound capabilities with the systems it introduced in October 1990.

Since then, sound has become a natural partner to many Apple Macintosh applications - particularly when used with CD-Rom digital storage technology (based on CD audio technology) and offering the ability to play CD audio discs as well as specialised multimedia CD-Rom software.

Sound is also an integral part of multimedia applications - which mix sound, graphics, text and on-screen animation together using sound in partnership with CD-Rom technology. Sound add-ons are often sold with CD-Rom systems as part of a complete multimedia upgrade kit - which in the US typically

sells for less than \$500 (\$200).

Given that CD-Rom storage systems can store more than 10 times the amount of information held on the average PC hard disk - and that this is all contained on a slim, inexpensive, removable plastic disk - the medium is ideal for producing computer-based educational and reference materials. That is why encyclopaedias, several world atlases, dictionaries, children's books and even film guides are now being offered on CD-Rom.

Microsoft, for example, offers a CD-Rom application about composer Ludwig van Beethoven. Not only does it offer on-screen representations of Beethoven scores, pictures of the composer and scenes from his life - but also many digital recordings of his classic works that can be played in full stereo

from the computer. There is also a spoken "narration" that is offered throughout this guide.

While all these applications are interesting, at the moment they are hardly mainstream business requirements. That is why hardware companies such as Compaq and Apple - and software firms like Microsoft and Lotus Development - are trying so hard to sell users on the idea of business audio.

Rosen says he is optimistic about it. "As people start annotating documents with audio, it will really catch on," he predicts, although he admits that you cannot force a technology on people who see no use for it. "You can produce the dog food, but you have to get the dogs to eat it," he concludes.

Geoff Wheelwright

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45 rue des Schliers
L-2219 Howald
Luxembourg

Notice is hereby given that an Extraordinary General Meeting of the Shareholders of The European Warrant Fund will be held on 30 September 1992 at 10.00 a.m., to consider the following agenda:

1. Amendment to Article 25 of the Articles of Incorporation by decision in the first sentence of the words "or previously repurchased shares of the Corporation shall be offered by the Corporation for sale" and by insertion of a new sentence which shall read as follows: "In the event of a resale of shares previously repurchased by the Corporation, the sale price to be received by the Corporation for such shares may be lower than the net asset value thereof, but shall not be lower than the lowest bid price quoted on stock exchange where the shares are listed."
2. Any other business.

A letter to Shareholders explaining the reasons for the change to the Articles is available upon request at the registered office of the Fund.

Shareholders are advised that at an earlier meeting convened for 31 July 1992 for the same purpose, the quorum required was not reached. No quorum will be required for this extraordinary meeting. To be valid, resolutions must be carried by a majority of two thirds of the Shares represented at the Meeting.

A Shareholder entitled to attend and vote at the Meeting may appoint a proxy to attend and vote on his behalf and such proxy need not be a Shareholder of the Fund.

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Charitable theory...



Adrian Randall (left) finance director of the Cancer Research Campaign, has been named the first visiting professor in charity finance at Hull University, where a new postgraduate diploma (MSc) in charity finance - the only one of its kind in the UK - begins next month.

The idea for the course grew out of the Charity Finance Directors Group, of which Randall, new to the sector and struck by the lack of self-help groups, was a co-founder. Another member was Paul Palmer, who is now the course director and Moores Rowland reader in charity finance at South Bank, the former polytechnic in London.

"The idea is to create the future finance directors of the

charity world" says Palmer, who, with Randall and others, has been formulating the course for the last three years. Charitable income in Britain is estimated to account for around 4 per cent of GDP, but there is very little information as to what is "best practice" and how to attain it. While the LSE and Open University run general charity management courses, this is the first dedicated specifically to finance. There will be 20 students, most already employed in charities, for the first year.

Randall, a qualified chartered accountant who subsequently used a legacy to read economics at Hull University, is a self-taught expert on charity taxation. He says he got into the field not because he was "one of these crusading people who decide to leave the business world" but because he lost his job.

He had spent 12 years with Tate & Lyle, ending up as finance director of a small chemical distributor which was sold off in 1985 to Hays, where he was made redundant two years later. He heard of the Cancer Research Campaign - and is "relieved he took it, rather than accept one of the other posts on offer at the time, a job at BOCI.

The City was not short of analysts who, with a nudge and a wink, professed close links with the Labour party shortly before the general election in April. Strangely enough, many have since fallen silent.

By contrast, Neil MacKinnon, chief economist at Yamachi International, has long been a staunch Labour supporter.

Renowned for the accuracy of his gloomy economic forecasts as much as for his left-leaning, MacKinnon is to join Citibank as chief currency strategist for Europe, effectively replacing Paul Cherkow who left earlier this year for UBS.

Born and educated in Liverpool, MacKinnon started out as an economist at the Treasury. After intervals at Nomura and Chase, he moved to Yamachi, where The Times voted him best UK economic forecaster.

Julian Simmonds, head of foreign exchange at Citibank, said he was "delighted" with MacKinnon's appointment.

"He has an outstanding reputation in the City and he will be a tremendous asset," he said. As for advising the leader of the Labour party on economic matters, Simmonds said: "I believe that people's political views are their business. It doesn't worry me in the slightest what people's tendencies are."

PEOPLE

The recession is hitting the City hard and economists can no longer be as choosy about their salaries as they used to be. MacKinnon, 37, said: "The excess demand for economists is pretty small because of market conditions. That puts a squeeze on salaries. It's very tight."

Robert Morton, formerly head of conglomerates at BZW, has been appointed a director specialising in conglomerates and business services at CHARTERHOUSE TILNEY.

Peter Hunt and Nick Brown have been appointed directors of R P MARTIN Sterling.

Richard Gardner-Brown has been appointed a director of R P MARTIN Exchange.

David Martin, from County NatWest Ventures, is appointed regional director for Yorkshire of GRANVILLE DEVELOPMENT CAPITAL.

Stuart Bell, md of Personal Pension Management, has also been appointed md of GMBC Financial Services; both are part of GUINNESS MARON.

Peter Johnson, finance director, and Michael Robinson, personnel director, have been appointed to the board of HENDERSON ADMINISTRATION Ltd.

...and advice

Elsewhere, Allan Hargreaves (below) has been appointed as the first director of charity taxation and head of the Charities Unit at KPMG Peat Marwick, the accountancy firm, based in the Leeds office.

The unit, which serves Peat's offices around the country, specialises in providing tax advice to charities and other voluntary organisations.

Hargreaves joined the firm in 1986, having worked for the Inland Revenue since 1969, where he spent eight years as a charity specialist.

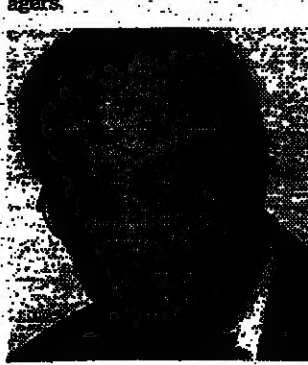
He says he hopes to operate the unit as a central referral point for professionals in the firm around the country, in much the same way as the Inland Revenue operated a specialist unit for that purpose.

Like a number of tax practitioners, he often sports a bowtie. "It's a little bit out of the ordinary. But there again, so is the voluntary sector."

Kleinwort Benson Charities, a division of Kleinwort Benson Investment Management, has appointed 54-year-old former

army Lieutenant Colonel Russell Wright as marketing consultant. He left the army in 1969, and then, as managing director, set up the direct dealing arm of a Lloyd's underwriting agency, which he subsequently left after a disagreement.

Rupert Marlow, director of KB Charities, points out that trustees of many charities are developing increasingly high standards about the kind of service they demand of their professional investment managers.



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Edinburgh International Festival

Iolanta

A Christmas 1892, Tchaikovsky's present to the world was a unique double bill. One half, the other half, the idea met with public success at the time, but since then the two parts have followed separate and very different paths. *The Nutcracker* has risen to become one of the favourite ballets of the world, while *Iolanta* (or *Yolanda*) has sunk into obscurity, at least outside Russia.

What better time than to reunite these long-lost siblings? The Edinburgh Festival has taken *Iolanta* as its centrepiece this year and the programming of both opera and ballet on the same evening promised certainly novelty, probably education, and hope, fully enjoyment. Opera North, with its fine track record of reviving neglected operas, was entrusted with *Iolanta*. That started the evening, as Tchaikovsky intended.

The story was one with which the composer had long been enchanted. In *Iolanta*, the blind princess kept from the truth about her lack of sight, he had found an ideal person on whom to lavish his artistic affection. Like *Tatyana* in *Eugene Onegin*, his most successful creation, she is again a blameless young woman who has yet to discover the realities of the adult world.

Whenever *Iolanta* is on stage, the music pulses with inspiration, welling up to those insistently-repetitive Tchaikovsky climaxes that set the heart racing. Though not in her best voice right through the evening, Joan Rodgers easily made her portrayal the shining virtue of the performance. Clad in virginal white, she played

Iolanta not as a creature of myth, but as a human being in embryo, facing the beginnings of real emotion.

Unfortunately, her appearances are interspersed with substantial sections in which the pace falters. Each of the subsidiary characters is allowed his or her aria. The opera moves disjointedly from one to the next and, despite the advocacy of David Lloyd-Jones in the pit, there was no disguising Tchaikovsky's inability to breathe life into 'the other shadowy fairy-tale figures.'

The most strongly felt is the king and father, played by Norman Bailey, whose voice no longer takes kindly to the stretching, sugar-dipped vocal lines that the role is allotted. The hero Yandymont was fearfully sung by Kim Begley, but he was so stiff physically that he greeted ecstasy and tragedy alike with the same lack of interest.

Robert Hayward turned his travelling companion into the archetypal Victorian cad, full of his own bravado singing. The smaller roles were not generally well taken.

The production by Martin Duncan dipped its toe into stylisation, but wisely withdrew it. To present the main characters with a semblance of realism. The visual setting, comprising an all-white tree dropping multi-coloured leaves over the stage, courtesy of the designer Anthony Ward, was already self-consciously arty enough.

Altogether, a lesser achievement than one might have hoped. It was after the interval that the eyes really were to be opened.

Richard Fairman

Dreams from a Summer House

Alan Ayckbourn, the playwright reminds one of Ian Botham the cricketer. Their great days may be over, but they are not finished yet and they retain the capacity to surprise.

This is Ayckbourn's 45th full-length play in just over 30 years. The surprise is that it is not really a play at all, but more a musical. Many of the familiar ingredients are there: the none-too-happy family, a well-off, but amiably stupid father, a mother who tends to lose her grip, a slightly manic child, mismatches all over the place. This is *Leatherhead*, Surrey, and a Home Counties summer party around the off-stage swimming pool.

There is also a less worldly sound. The piece is woven into the story of *Beauty and the Beast*, this being Ayckbourn, there is a twist. Both Belle the Beauty and Belle the Beast (a splendid hulk of a man played by Anthony Van-Dit) can communicate with ordinary mortals only by singing and if the mortals reply in kind.

The start of the singing is the first surprise: the second is when it goes on. At first, it seems a good Ayckbourn joke. Well before the interval, however, we realise that this is quite an ambitious attempt at a musical in its own right. What begins as pastiche develops a style of its own. Not even

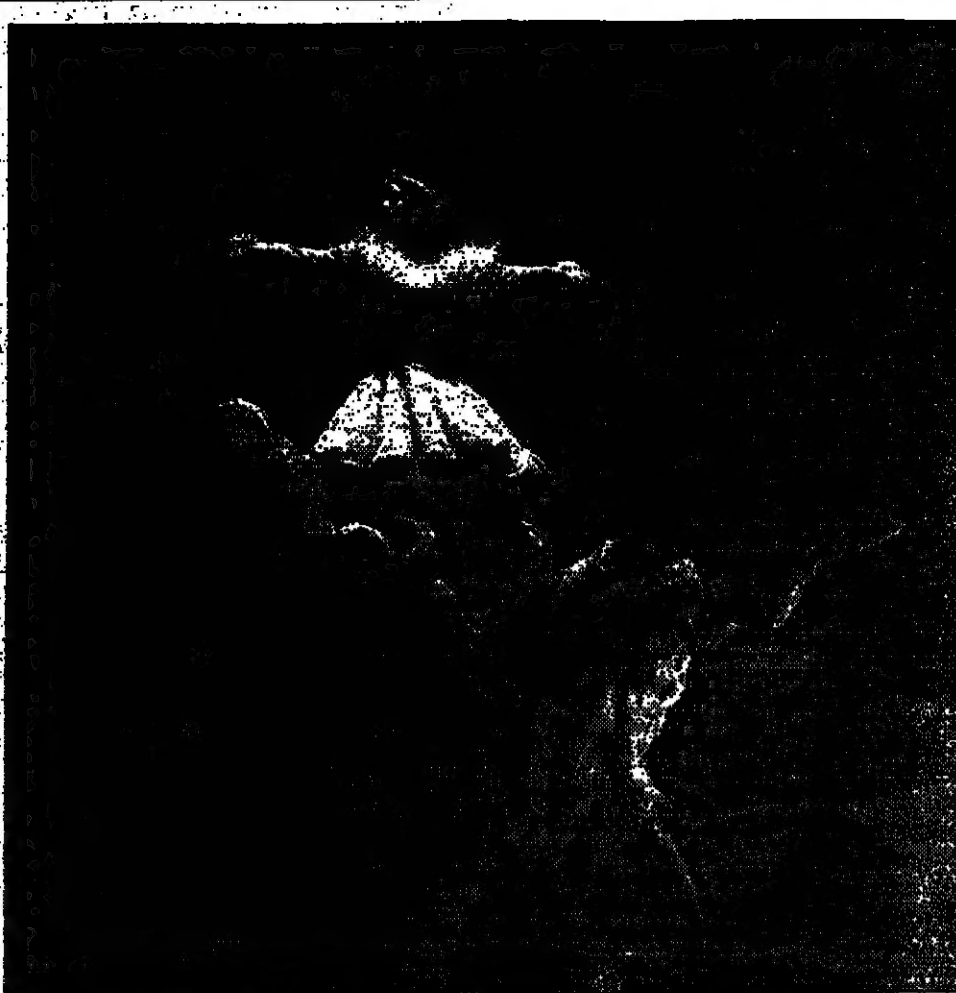
the multi-talented Ayckbourn, who also directs, could write the music as well. This is provided by John Pattison who has long produced musical accompaniments for straight plays and now becomes at least an equal partner.

It would need a better musical ear than mine to detect every musical allusion. *South Pacific* seems an initial and recurring theme, but that is not the tenth of it. *Scandinavia*, whose *Into the Woods* also relied on fairytales, is there in the background. Yet one of the great pleasures of the evening is trying to pick out the rest of them. There is a touch of *Don Giovanni* and *Egmont*, *From Lehar*, *Ivor Novello*, *Sir Andrew Lloyd Webber* and *Leonard Bernstein*.

The plot thins as the music goes on. *Leatherhead* diminishes into the distance and the Ayckbourn text, although he wrote the words for the songs, almost disappears. This is Ayckbourn having fun, and allowing others to do it for him, but it is still Ayckbourn exploring new uses for his Scarborough Theatre-in-the-Round.

Whether *Dreams* would translate to the West End I doubt, it may be too slight and too musically precious for a larger stage. All the cast can sing.

Malcolm Rutherford



Ailly Fitzpatrick as Princess Sugar in Tchaikovsky's The Nutcracker

The Nutcracker

IN HIS two late ballet scores, *The Sleeping Beauty* and *The Nutcracker*, Tchaikovsky's art can be seen at its greatest. *Beauty* needs no further bonquets here; *Nutcracker* is rather more problematic, since creative genius was expended upon a flimsy tale - 'a ballet unworthy of our stage' was a comment on the first performance.

But the chief numbers of the score - the marvellously vivid mouse-battle; the snowflakes; the grand pas de deux - are of such sublimity, and the charm of the entire composition so irresistible, that the ballet has spread into every corner of our dance world.

Famous productions - and we have had more than our fair share in this country - have brought *Nutcracker* into some disrepute in the theatre, but the current Covent Garden staging has helped rehabilitate the piece by restoring much of the original Ivanov choreography, so that *Nutcracker's* subtle view of a childhood world is realised.

Yet we have not known the resonance, intended by Tchaikovsky, that comes with the juxtaposition of the ballet with its operatic partner in performance, and thus the importance of the Edinburgh Festival's decision to recreate the original St Petersburg programming.

The choice of the post-modern troupe *Adventures in Motion Pictures* to produce the ballet was a brave one. Matthew Bourne's small company (here augmented to 17 dancers) has made a niche for itself with dance-theatre pieces (more theatre than dance, too) which have commented upon ideas of 'Englishness' in *Town and Country*, upon Hitchcock's films in *Deadly Serious*, and on social and sexual attitudes in various other shorter pieces.

With *Nutcracker*, Mr Bourne

has been faced with the double problem of a musical masterpiece which marvellously explores a very specific narrative. He has, with some wit, triumphed over the matter of making a new story to fit the score - or rather, of cunningly twisting the old tale to give it a contemporary shape.

In rising to the choreographic challenge of music whose every bar speaks of dancing, he has been at moments less felicitous, since the long spans of movement implicit in the snowflakes ballabile and the grand pas de deux lie outside the experience and potential of his brand of post-modernism.

The staging is, though, refreshing, good-humoured, well designed by Anthony Ward. With a sly humour, the Biedermeier charms of the original are now transformed into a dire Christmas in a Victorian orphanage presided over by the grim Dr Dross. His companion in menace is the Matron; his children, Fritz and Sugar, are the Squeakers progeny, while the boy orphans have a distinctly Smokie-ish air.

Clara is the leader of the orphan girls. Their Christmas is of the most depressing, but toys are provided, and Clara acquires a sailor-nutcracker, on whom she lavishes her love. The mouse-battle is a dream in which the orphans rebel against Dr Dross and his family, with the aid of the Nutcracker, who becomes a handsome young man, leading hostilities that are a pillow-fight worthy of *Zero de conduite*.

Clara is then led to a kingdom of snow, which is a skating rink owing something to Ashton's *Les Patineurs*, where the very sugary Sugar turns into a Sonje Henle and wins the Nutcracker as her beau. The disconsolate Clara must

watch their betrothal in the Kingdom of Sweets - Mr Bourne is very amusing in devising sticky identities for his characters. Her love for the Nutcracker is unrequited, it seems, but the choreographer has a heart (and a dramatic sense that one might call Mills and Bourne) and as Clara awakens in the orphanage again, she finds the Nutcracker in her bed. They escape down a ladder of sheets to a happier, and plainly sexier, future.

This action is well founded - it has more dramatic force than the original - and it sits without any awkwardness upon the score. The performances from the *Adventures in Motion Pictures* cast are very jolly, bright-eyed with feeling.

I thought Etta Murfitt touching and true as Clara, and Andrew George suitably heroic as her beloved. (There is a nice joke in partnering when, instead of the conventional premier danseur elegances, this Nutcracker strikes some beef-cake poses.) I salute Scott Ambler as a frightful Fritz, and Anton Skaypield in the sweetest diversion as a Dago-ish ice-cream who might have strayed from Ashton's *Foxtrot*.

The score is, in the main, cleverly handled by Mr Bourne: it is, as I have noted, the grand and elegiac span of the second act adagio and the snowflake ballabile that look minimised. The production is otherwise an amusing gloss upon one of ballet's best - and least understood - texts. But as a companion to *Yolanta* - and balance to the opera's lyric effusions - its interest is far outweighed by the length of any evening which features the works in tandem.

Clement Crisp

Sponsored by the Bank of Scotland and Kobler Trust

Reactions to chaos

Lynn MacRitchie

ARRIVING in Kassel to attend Documenta IX so long after the heavily hyped opening which drove the critics to paroxysms of spleen, what does one find? Patient queues of art-lovers waiting hours for admission to the main exhibition halls, and taking part with passion in debates about the works they see there.

More than half a million visitors are expected to have come to Documenta before it closes on September 20. As the self-proclaimed showcase for contemporary art, the exhibition succeeds, and succeeds magnificently. The audience, though required to possess stamina and patience, is never short-changed: the amount of work on offer is huge - 190 artists from more than 30 countries - and the show is undeniably comprehensive.

What seems to have bothered the critics so much, and also some of the viewers who have come in their wake, is the refusal of the show to make things easy. There are no pathways around this exhibition, no hierarchies to help with identification of the great and the good: they are here - but they need to be sought out.

The sense of confounded expectation which some have expressed about the present show is partly due to the exhibition's historical legacy. Set up after the war on the initiative of art historians Arnold Bode and Werner Haftmann to make amends for the Nazi persecution of progressive art and artists, Documenta was intended to bring to Germany the best art by those leaders of the modern movement whose position was established before the war. As well as a recognition of the war and the Nazi persecution, the exhibition was also a triumph.

That opening exhibition included Picasso, Matisse, Braque, Leger, Max Ernst and more, whose work had already set the style and standard of the other exhibitors, and several of whom continued to be represented in subsequent exhibitions (which are held every four or five years).

As the decades advanced and stylistic certainties crumbled, the sense of a great presence, a unifying force, came to be centred in the work and persona of Joseph Beuys, who put his stamp upon the event from Documenta 3 in 1964 until he died the year before Documenta 8 in 1987. That year, there was talk of the exhibition having outlived its usefulness.

This year's show has no overwhelming individual presence (if that of guest curator Jan Hoet, from the Museum van Hedendaagse Kunst in Ghent, is discounted). It offers instead a cornucopia of the present, and seems to have recovered enough confidence to carry through into the next decade, despite the Cassandra cries of those who have characterised this year's show as a descent into chaos. It spreads before us the myriad reactions of artists to a world which is indeed in chaos, a globe in which certainties have collapsed and the future is unclear.

The desperate need manifested in the piece by Bruce Naumann in which a videotaped head repeats the commands 'Feed me, eat me, anthropology' and 'Help me, hurt me, sociology,' meets no answer. Next door, the three

works by Francis Bacon which were selected for the exhibition before his death show how a lifetime's contemplation of the human condition may give no balm.

These bleak canvases make plain, as did the late works of Picasso, that we are as driven by need, and as awkward in its satisfaction, at 80 as at 18. To say, as many have, that there are no politics at this Documenta is wrong. There are plenty, but they are as varied as the experiences which have brought about the artistic responses they represent.

They are there in the shanty town which Tadashi Kawamata has erected by the banks of the Fulda. They are there in the piano bar built by Vera Frenkel, which is a metaphor for the fragility of human communication and the pain of displacement. They are there in the torture chamber of Mike Kelley and the car crash litter of Cady Noland. They are there because they are inescapable. In a world of individuals, of difference - which this exhibition so forcefully exemplifies - we all have the freedom of choice, to care or not to care. And people do care, very much.

That is demonstrated clearly at the open discussion session which Jan Hoet, no faint-heart, holds every day. Here he answers questions and argues with visitors, stating his case, defending the show's determined variety and the responsibility it places on the viewer. This is not popular. The loudest voices in the discussion session I attended were those pleading for beauty, demanding order, upset by the lack of stylistic coherence. When confronted with work about which no line has yet been laid down, the exhibition-goer is forced to be self-reliant. This delights Hoet, who has proclaimed that this Documenta has no heroes.

What he means is that this time, the heroes must muck in with the rest. Bacon, for example, is hung next to a series of photopies by the young French artist Suzanne Lafont which hold up well in their sense of dark unease. There are no hierarchies of form,

either. Paintings must struggle against installations, some of which include loud sound-tracks as part of the work. Installations, too, compete against each other. Mario Merz, allotted one of the largest spaces (filled with a piece which disappoints in its empty grandiosity) is next to a clamorous bellows by Ulf Rollof and around the corner from one of a series of clever videos by Tony Conrad.

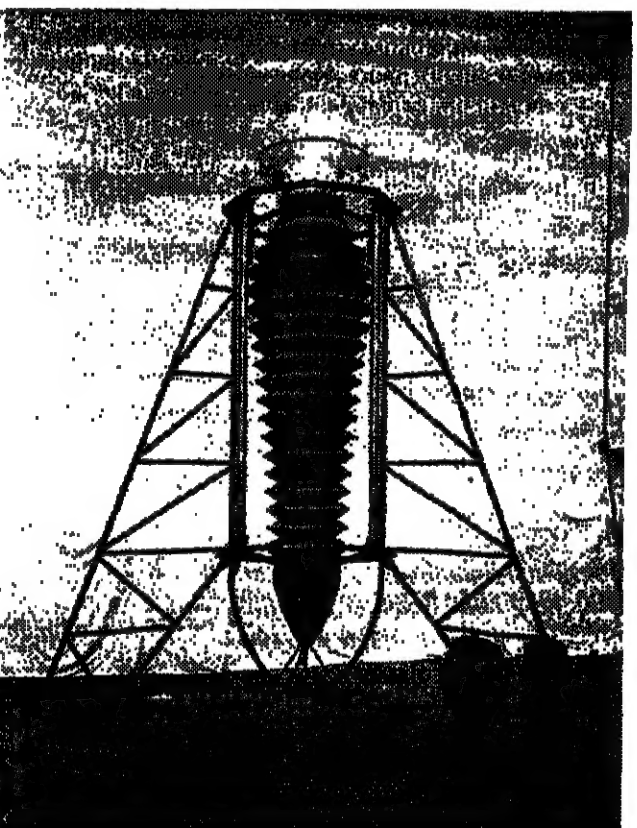
Rose Finn Kelsey, one of five British artists, has a choice small space, with one glass wall giving a vista of trees and a high ceiling, on which she has placed, with a wry eye to the spectacular gestures around her, a small familiar structure: this kennel, however, is for a god.

Documenta does not lack beauty: those for whom art and beauty are synonymous need not despair - but perhaps they need to be more flexible in their definitions. There is a beautiful video installation by Bill Viola, for example, and a beautiful and thought-provoking installation by Joseph Kosuth in the Neue Galerie. Perhaps most beautiful of all, in an unusual and inspiring way, are the pieces by Marina Abramovic, best known as a performance artist and a regular Documenta exhibitor.

This time she is not performing, but showing a series of pieces made from amethyst crystals. One, called 'Inner Sky, for departure' set outside the Documenta Halle, consists of a row of amethyst geodes, cut in half and raised on metal tripods above head height. We are instructed to stand beneath them and to look up. Doing so, one sees, like a vista of infinite space, the perfection of the crystalline forms which the hollow centre of each geode contains.

Beauty exists, order is made manifest, both in the natural world and in the continuing struggles of artists to relate to the world we have created and to help us do so: it may take effort, and trust, but the rewards are still there.

Documenta IX, Kassel, Germany, until September 20



Bellows 9, by Ulf Rollof

INTERNATIONAL ARTS GUIDE

The Metropolitan Opera in New York opens its new season on Sep 21 with Les Contes d'Hoffmann starring Placido Domingo. The opening week also includes Un ballo in maschera, Madame Butterfly and Falstaff.

The first new production of the season is the world premiere of Philip Glass's *Columbus* opera, *The Voyage* (Oct 12). Bruce Farden will conduct David Pountney's staging, designed by Robert Israel and Danyla Raminova. The cast includes Tatiana Troyanos and Timothy Noble.

Lucia di Lammermoor (Nov 19) is the next new production, with a cast headed by June Anderson, James Levine conducts Gunter Schneider-Siemssen's new staging of Die Meistersinger von Nürnberg in Jan, with a cast including Bernd Weikl, Hermann Prey, Francisco Araiza and Karita Mattila.

Elijah Moshinsky's new production of Ariadne and Naxos follows next March, with a cast headed by Jessye Norman. Luciano Pavarotti gives a recital in Feb and there will be a complete Ring cycle in the Spring.

The Met's Philip Glass premiere is part of a series of late autumn Glass events in New York. The Brooklyn Academy of Music has organised Glass concerts and a restaging of *Einstein on the Beach*, and Joyce Theater will present *The Mysteries and What's So Funny*.

The next major date in City Opera's season is the New York stage premiere of Busoni's *Doktor Faust* on Sep 11. The New York Philharmonic opens its 150th season on Sep 16 with a gala concert conducted by Kurt Masur, featuring music by Bernstein, Prokofiev and Richard Strauss. There will be recitals by James Galway and Mildor in Oct.

The Carnegie Hall season opens on Sep 30 with an all-Tchaikovsky programme played by the Pittsburgh Symphony Orchestra under Maseel. Sinopoli brings the Philharmonia in early Oct, followed by the Orchestra of La Scala conducted by Miti. The dance line-up at City Center includes Martha Graham Dance Company (Oct 13-18), Paul Taylor Dance Company (Oct 27-Nov 8), Houston Ballet (Nov 19-22), Alvin Ailey American Dance Theater (Dec 9-Jan 3), Joffrey Ballet (Feb

23-March 7) and Merce Cunningham Dance Company (March 9-21).

EXHIBITIONS GUIDE

AMSTERDAM Van Gogh Museum Felix Vallotton (1865-1925): retrospective of the Swiss Post-impressionist painter who in 1891 joined the group of Parisian artists known as the Nabis (Hebrew for prophet). The exhibition was organised in co-operation with Yale University Art Gallery and reflects the growing international interest in the Nabis. It includes 150 works on paper, of which the woodcuts are especially interesting. Ends Nov 1. Daily 10-5.

BARCELONA Fundació Caixa de Catalunya The Avant-Garde in Catalonia 1906-39: the role played by Picasso, Duchamp, Miró, Dalí and others in international artistic developments (housed in the new exhibition hall in Gaudi's La Pedrera). Ends Sep 30. Closed Mon. Museu Picasso Alexej Jawlensky (1864-1941): 119 works by the Russian-born artist who settled in Germany and developed close ties with the Blaue Reiter. Ends Sep 27. Closed Mon.

FRANKFURT Schirn Kunsthalle Genesee Art of the Baroque Age: 200 exhibits, including ceramics, silver, furniture and 130 paintings, covering the period from the beginning of the Genesee republic with Andrea Doria until 1815. Ends Nov 9. Daily 10-5. Deutsches Architekturmuseum Modern Architecture in Germany 1900-1950: a stimulating reappraisal of developments in the first half of this century, showing how German architects built on tradition in their designs for urban areas, high-rise blocks, motorways and churches. The exhibition underlines the influence and importance of many previously overlooked architects. Ends Nov 29. Closed Mon.

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FINANCIAL TIMES

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Friday August 28 1992

Fragile success of the Gatt

THE GENERAL Agreement on Tariffs and Trade is not the catchiest of titles. European Community subsidies to oilseeds, Canadian restrictions on imports of ice-cream and US customs user fees are not the most newsworthy of disputes. No wonder the Gatt, though among the most successful, is neither the best known nor the best loved of international economic institutions. Unfortunately, it is loved too little by those whose love it needs most and may, as a result, cease to be successful too.

Many, particularly in the US, will pour scorn on the notion that the "general agreement to talk and talk" has ever been successful. Such American denigration is surprising since the Gatt is largely a US creation. It is also misguided. The Gatt has achieved all its founders could have reasonably hoped.

Powerful reason

Ever more countries know they need it. Eleven countries have joined the Gatt since the start of the Uruguay Round of trade negotiations alone. More want to join. The Gatt is becoming a universal trade organisation for a very powerful reason. Its underlying principles - trade liberalisation and the regulation of trade by internationally agreed rules - are now almost universally accepted.

How to advance British science

THE ANNUAL ritual of the British Association meeting, going on all this week in Southampton, shows the strength of tradition in science - and journalism.

The BA attracts far more media attention than any other scientific event in the UK. Several national newspapers have two or three correspondents at the conference and they devote half a page or more to it every day. Yet serious new research findings are hardly ever announced to the BA any longer, except in the social sciences; even the great debates about scientific issues that lit up Victorian meetings are now absent.

The journalistic endurance of the BA meeting is explained partly by its timing, at a point of the year when papers are normally short of news. And it is, for all its faults, the best showcase UK science has an opportunity that neither scientists nor those who popularise their work would wish to abandon.

At this year's conference the president, Sir David Attenborough, launched a corporate plan for the next five years. It envisages building on the visibility of the annual meeting to expand the BA's other activities, which remain largely invisible and, some scientists would say, ineffective.

The plan would increase the BA's promotional work among children and teenagers - much needed in view of the continued decline of science in British schools - and the general public. Another worthwhile expansion scheme is to set up a network of 16 regional offices throughout the UK, each with a full-time co-ordinator to stimulate year-round local activities.

Raising money

Its implementation depends on raising more money, with spending scheduled to rise from £270,000 this year to £1.54m in 1996-97. Since the BA relies largely on corporate and charitable funding (government grants making up only 16 per cent of this year's income, and membership fees and subscriptions 23 per cent) it will be appealing for more support from industries such as chemicals, pharmaceuticals and electronics. Companies whose prosperity depends in the long run on the

sends little less than a revolution in global economic policy. It is one the major trading powers long sought, but to which they now seem indifferent.

If the major powers are to play their part in the global move to the Uruguay Round. Here too, notes Mr Arthur Dunkel, the Gatt's director-general, there have been successes. Normally, he notes, initial objectives are whittled away in the course of negotiations. Not so this time, he says.

Disputes settlement

Important achievements were already made in the mid-term review in 1988: new surveillance procedures, for example, including a national trade policy review mechanism, as well as a streamlined disputes settlement procedure. More is still to come.

The Draft Final Act of December 1991 offered benefits fully in keeping with the initial objectives: integration of textiles into the Gatt; improved rules on emergency protection; a proposed Multilateral Trade Organisation; what Mr Dunkel calls "probably the most comprehensive intellectual property agreement ever"; the draft General Agreement on Trade in Services; a good chance to lower tariffs by one-third, along with substantial reductions in many high tariff peaks; and, not least, proposals for liberalisation of trade in agriculture.

It is on the rock of agriculture that the ship is foundering. Those hopes and all the successes - from the ones piled up before the Uruguay Round began to those embodied in its draft conclusions - hang in the balance, as the US and the EC haggle over whether, and how, to reduce the billions of dollars they waste on their farmers.

As Mr Dunkel rightly remarks: "The keys to a final conclusion are held in a very few hands. It is now up to them to provide the momentum for us to finalise the multilateral negotiations." The leading industrial countries alone act as if the fate of the institution they created and of the negotiations they started matters little. They know better. Posterity may well condemn failure to complete the round this autumn as the most important lost economic opportunity for a generation.

health of British science should respond generously, because the BA plan is soundly based as far as it goes. But at the same time they should be pressing for a fundamental realignment between the three ancient organisations charged with promoting science in Britain: the BA (founded in 1831) and its two sister societies, the Royal Society and the Royal Institution.

Meagre resources

Although the three already work together to a limited extent through Copus, the Committee on the Public Understanding of Science, there is scope for far more productive co-operation between them. Indeed, if they were not so inhibited by their venerable traditions, it would make sense for the smaller and poorer pair, the BA and Royal Institution, to merge. They could make much better use of their meagre resources by joining forces. And the BA, which is likely soon to have to leave its rented accommodation in Mayfair, could find a splendid home around the corner in the neo-classical headquarters of the Royal Institution.

In recent years the RI has been even less visible than the BA, with the exception of its televised Christmas lectures, and is arguably in greater need of revitalisation. Unlike the BA, the RI does some research in its own laboratory. That has produced excellent results in the past, for example in chemical crystallography, but the RI should ask itself whether a Mayfair basement is still a sensible place for world-class physics or chemistry. If not, the remaining research should move to a university and the building should be renovated to provide a joint home for the BA and RI - a fitting "Parliament of Science" for the 21st century.

At the same time the BA annual meeting must continue to move around Britain's universities, as the country's leading festival of science. An encouraging sign is the BA's recruitment of Mr Brian Gamble, head of the successful new Edinburgh Science Festival, as its programmes director. His challenge is to make the annual meeting more popular, while persuading leading scientists to divulge genuinely newsworthy results.

In 1950 there were 55 independent commercial vehicle makers in west Europe. By the late 1980s the number was down to 11 and falling.

In the latest move in this ruthless war of attrition, DAF, the troubled Dutch commercial vehicle maker in which British Aerospace holds a 16 per cent stake, admitted yesterday that it had been forced to enter discussions on "a strategic alliance".

DAF is refusing as yet to identify publicly the hoped-for saviour. It appears, however, that it is seeking shelter under the giant shadow of Daimler-Benz, Germany's biggest industrial group, although the two companies seemed confused yesterday about each other's intentions.

Mercedes-Benz, the German group's automotive subsidiary, denied it intended taking an equity stake in DAF, but admitted that discussions on a less far-reaching collaboration were under way, after an approach from DAF.

As DAF's finances have weakened, so speculation about a predator has grown. Until the disclosure of the present talks with Mercedes-Benz, an approach has always appeared most likely to come from a Japanese truck maker, which have, until now, established a negligible presence in Europe.

DAF's well-developed pan-European distribution network and its expertise in particular in heavy trucks would provide a highly attractive way into Europe for one of the leading Japanese producers, Isuzu, Hino (Toyota), Mitsubishi or Nissan Diesel.

The leading European truck makers are keen to discourage such an entry into an arena where they feel competition is already sufficiently fierce, however. A pre-emptive move to keep DAF out of Japanese hands could be welcomed by rival truck makers in Turin, Paris and Gothenburg, although any equity deal with Mercedes-Benz would come under severe scrutiny by the European Commission's competition authorities in Brussels.

Mercedes-Benz is the world's biggest truck maker. It has made no secret of the fact that it expects concentration in the European truck industry to proceed apace to the end of the decade. And it is determined not to relinquish its leadership.

"By the end of the 1990s we will have three supranational strategic alliances in Europe, each with one major company at its core," says Mr Helmut Werner. Mr Werner has led the Mercedes-Benz truck operations in recent years and takes over as chief executive of the combined Mercedes-Benz car and commercial vehicle operations next May.

The restructuring process in Europe is well-advanced with the weakest players either being swallowed up or falling by the wayside. They are under pressure from falling sales, but just as important they are confronting spiralling product development costs and rising expenditure to meet tougher environmental regulations.

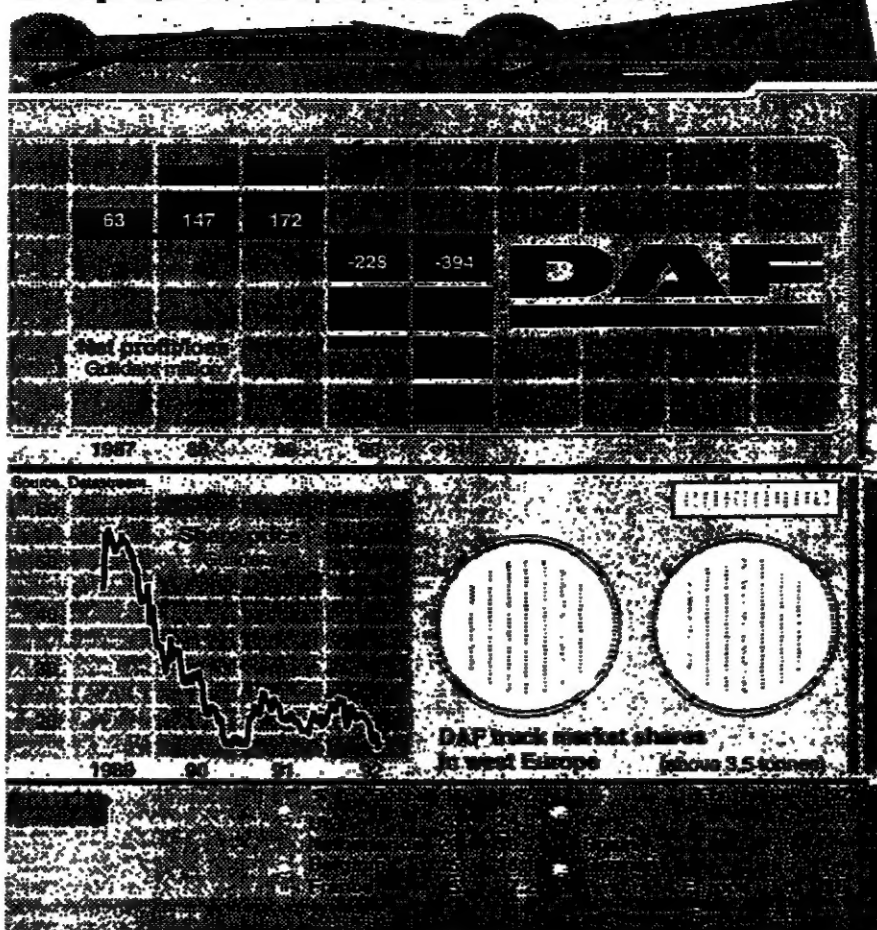
DAF, now in its third year of heavy losses, admitted yesterday that it was seeking an alliance where the new partner would provide fresh equity to bolster its battered balance sheet, as well as a collaboration where it could share products, new product development costs and plant capacities.

Much larger producers than DAF have concluded that times were becoming too tough to go it alone. In the most significant realignment of forces, Volvo of Sweden and Renault of France have embarked on a far-reaching alliance which includes 45 per cent cross-shareholdings in

Europe's commercial vehicle makers are restructuring, with the weakest players being swallowed up, says Kevin Done

Tough times to keep on trucking

European truck makers: no clear road ahead



each other's truck operations. This combination is the world's biggest maker of heavy trucks (above 15 tonnes) and has overtaken Mercedes-Benz in this sector. The Franco-Swedish alliance has made its play to be among the survivors at the end of the decade.

The other member of the European premier league is Iveco, the commercial vehicles subsidiary of Fiat of Italy, originally formed from the merger of smaller Italian, French and German truck makers. In the second half of the 1980s it took over management control of Ford's UK-based truck operations, and in its most recent move it has acquired control of Spain's loss-making maker of Pegaso trucks.

MAN of Germany, which itself has links with Mercedes-Benz via a cross-flow of components, has swallowed up Steyr's truck operations in Austria. While the big groups consolidate, the minnows continue to disappear. This summer the small privately-owned UK truck maker AWD has been forced to admit defeat and has called in the receiver after failing to make a go of General Motors' former Bedford truck operations.

For DAF, the present talks with Mercedes-Benz are a cruel reminder of how quickly the hunter can

become the prey. In the late 1980s it moved into high gear in a drive to acquire itself the critical size that might have promoted it into the top league of European truck makers. In 1987 it took over the then British Leyland truck and van operations in a move that transformed it from being essentially a heavy truck and bus maker, into a commercial vehicle producer. Buoyed by the record sales and profits of 1988 it then tried successfully to take over both Enasa in Spain and Steyr in Austria, but each time it was thwarted, as bigger rivals stepped in.

It successfully chose the peak of the wildly fluctuating truck market cycle to float itself on the Amsterdam and London stock exchanges in 1989, but it was not long before the ambitious rush for growth was knocked off course by the gathering clouds of recession in the UK.

Among today's surviving European truck makers, DAF is exposed by having the breadth of product range of the biggest players without their production and sales volumes. It has entered a collaboration with Renault to develop a new van range for the mid-1990s, but until it started its present negotiations with Mercedes-Benz, it had failed to find

a partner to share the much more onerous product development burden on its truck side.

At the same time it has lacked the depth of financial resources to allow it to emerge unscathed from the horrors that have beset its sales operations in the UK, which became its single biggest market after the merger with Leyland.

In 1989 the UK was still Europe's biggest truck market, but by the first half of 1992 the heavy toll taken by recession had pushed it into fourth place behind Germany, France and Italy.

DAF has tried to reduce its dependence on the UK by pushing hard to build up its dealer network and sales, particularly in Germany and in France. Its endeavours are beginning to bear some fruit in those markets, but in 1991 the UK still accounted for 29.4 per cent of group turnover.

It was little consolation that DAF actually became the truck market leader in the UK last year, narrowly outperforming its bitter local rival Iveco Ford, when at the same time overall UK truck sales were suffering their steepest slide since the second world war with demand at its lowest level since the early 1980s. UK truck sales have fallen by 60 per cent in the past three years. DAF's fortunes have changed

with alarming speed, reflecting the dramatic volatility of the European truck market. It fell into net losses of £1.23m in 1990 and £1.394m in 1991 - and failed to pay dividends - after achieving a record net profit of £1.172m in 1989.

It was forced to raise new equity with a £1.25m (£135m) issue of convertible preference shares last autumn to strengthen its balance sheet, and is currently in negotiation with both the Dutch and Belgian governments about further capital injections. It is understood to be close to agreement on taking a £100m subordinated loan from the Netherlands Investment Bank, while at the same time it is hopeful that the Belgian Government will guarantee a £110m long-term commercial bank loan.

Since the onset of the UK recession DAF has optimistically forecast that the next six months would bring some relief to its profit and loss account. But with help from its markets it is now having to rely on its own tough remedial measures to staunch the losses. With the release yesterday of figures for DAF's financial performance in the first half of 1992, Mr Cor Baan, chairman of DAF's management board could at least point to a considerable reduction in the scale of the group's first-half losses to £1.974m (including £1.85m of one-off restructuring costs) from £1.179m in the corresponding period a year ago.

The company's earlier forecast - conditional on various favourable market developments and a break-even for 1992 after a loss in the first half, was modified yesterday to a break-even only in the second half of 1992. The "delayed market recovery" in the UK and the "continuous deterioration" of the other west European markets means that DAF will again have to lower its production during the second half of 1992, after a modest upturn in the first six months of 1991.

Mr Baan maintains that between the end of 1991 and the end of 1993 restructuring measures will have taken costs of about £150m a year out of the business. With manufacturing operations in the Netherlands, Belgium and in the UK, the company will have cut its workforce to less than 12,000 by the end of 1993 from 16,782 in 1989.

The statements made yesterday by DAF and Mercedes-Benz about the state of their negotiations suggest that for the moment the two companies have rather different aspirations. DAF has constructed fairly elaborate takeover defences to ward off any takeover bid, but its best protection in the short-term will come from the success of its own restructuring measures.

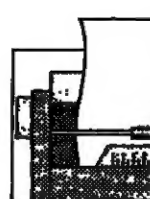
Volvo, its much bigger rival, provided little comfort yesterday when the announcement that its truck operations had also plunged into loss in the first half of 1992 in the face of a 7 per cent drop in the European heavy truck market. It blamed lower capacity utilisation of its European components and assembly plants and substantial higher product development costs.

Mr Sten Langerhans, president and chief executive of Volvo Trucks, warned last year that "the outlook for the truck industry is very bleak. If we continue in the same old tracks as in the 1980s, Volvo has sought its salvation in alliance with Renault, and it appears now that DAF would value some similar help from Daimler-Benz. It remains to be seen what the world's leading truck maker is ready to offer.

PERSONAL VIEW

Worthy sacrifice

By Quentin Davies



inflation worth the pain?

Should the government change course on the economy? Not, we are told, if we want to beat inflation. But does the cure have to be so tough? And is controlling inflation worth the pain? These are surely the summer's most important economic questions.

Inflation has become deeply embedded in our psychology and behaviour over the past 30 years, and adjustments to deeply engrained habits of mind are required as we move into a non-inflationary world. Moving out of inflation requires nothing less than a reassessment of all assets and liabilities in the country - a revision of the balance sheet of every business and every family. Levels of debt which are prudent to hold under inflation become foolhardy and dangerous once inflation can no longer be counted upon to erode the real value of assets. So levels of debt have to be slashed.

There are only two ways to reduce debt levels. One is by saving a higher share of current income and using it to reduce debt. That, of course, means that a smaller proportion of incomes will be available for investing and buying goods or services. In other words, demand falls and recession ensues.

The alternative is the writing-off of debt through default and bankruptcy. But that creates great strains in the financial system, reducing the capital of banks and constraining their ability to lend. That further damps demand and deepens recession.

What of the asset side of the balance sheet? In an inflationary economy, all real assets carry a premium - the additional sum that people are prepared to pay for them

based on the protection against inflation they appear to offer. But revising asset prices downwards has its pain. Where businesses have borrowed money on security, or families have taken out high mortgages, they may find themselves in technical default with the value of the borrowing higher than that of the security. The result is more bankruptcies, foreclosures and human disappointment.

This is exactly what is happening today in the UK. Is it avoidable? No, it is an essential, inevitable part of the process of adjusting to a non-inflationary world. The government would be unwise to halt the process in mid-stream for two reasons. Firstly, a great deal of the pain has already been incurred. Secondly, we almost certainly have a better chance of licking inflation now than we have had for a generation. We have a government that is committed to the task. And we have the European exchange rate mechanism, which provides credibility to our monetary discipline.

But is the fight against inflation worth it? The answer is yes. Inflation imposes great penalties on any society. There is the unfairness to millions of pensioners and others with fixed incomes. There are the economic costs as well. Businesses react inefficiently or perversely to changes in prices. Investment decisions are more risky. Savings are directed into unproductive stores of value, such as property.

Worst of all, our national self-confidence would be threatened if we find that, after so many failed attempts in the past and after all the sacrifices of the present recession, we are condemned to return to an inflationary economy.

A final question remains: can the government do anything to alleviate the pain? It is facing several constraints: it must not leave the

ERM or devalue within it; it must not reduce interest rates until the foreign exchange markets signal that it is safe to do so; it must do nothing that would undermine the credibility of its monetary policy.

However, when monetary policy has to be tight, it is a good moment to see whether fiscal policy can take some of the strain. I think it can - and should.

There are calls for the "toughest ever" public spending round in the autumn. That is right if the intention is to squeeze recurrent - what local authorities call "revenue account" - spending. If spending is too high, total public debt may rise to a point where only inflation would enable any government to sustain the burden of servicing it. That would destroy the credibility of present monetary policy.

That fear will be much reduced if the markets accepted that any additional public spending was genuinely non-recurring, as in the case of the German government's accounts over the past three years. Such would be the case if the government were now to increase investment spending in a move to take advantage of lower construction and capital goods costs.

The problem is that the Treasury's accounts have never distinguished between recurrent and non-recurring spending, including capital expenditure. It is not a semantic change that I am suggesting. It is the introduction of a new rigour into the Treasury's rules - the need, which any well-run business accepts, to distinguish between recurrent and non-recurring expenditure.

There may never be a perfect time to change the rules. But there is no time like the present.

The author is a Conservative MP and a member of the House of Commons Select Committee.

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'Collorgate' and the costs of corruption

Despite a carnival atmosphere, Brazil's political crisis threatens prolonged economic uncertainty, says Christina Lamb

In the demonstration which have recently erupted across Brazil, there is a surprising carnival-like atmosphere. The black mourning dress worn by protesters, such as the spirit is hard to understand in a country which is suffering severe economic difficulties and which has now been plunged into its worst political crisis with the publication of this week of a congressional report accusing the president of involvement in a multi-million-dollar corruption scandal.

"We have had a 20 per cent a month and a minimum salary of \$40 a month," complains one demonstrator who demands Mr Collor's departure. "Things can only get better."

Few doubt the importance of the coming weeks for the future of Latin America's largest economy. After Wednesday's approval of the congressional report on the scandal, which implicates its first president to be directly elected for 30 years, Brazil is now set to embark upon the unfamiliar process of impeachment.

The report was the culmination of 85 days of investigations by a special congressional panel set up after Mr Collor's younger brother accused him of profiting from his position on a large scale.

Although the focus of the inquiry was Mr Paulo Cesar Farias, the president's former campaign treasurer, the final report detailed how in two and a half years in office Mr Collor and his family profited from a kickback scheme run by Mr Farias.

The report has underlined how deeply corruption is engrained in the political system. Mr Collor came to office vowing to crush corruption; many of his supporters were Brazil's "shirless ones", the poorest people in a country with wide income disparities.

Tax revenues have fallen partly because of a belief that the government will abuse the money. Added to that, the inaction in government as Mr Collor struggles to hang on to his office threatens further the stability of the government's fiscal position, which in turn puts at risk agreements with its international creditors to reduce Brazil's debt.

The crisis has united Mr Collor's opponents. The fractions opposition of more than 15 parties has joined forces to back a formal request for the president's impeachment. This request will be presented to congress next Tuesday, jointly by the heads of the Brazilian Lawyers' and Journalists' associations.

From his office in Brasilia, where he is sheltered from the worst of the demonstrations, the country's 43-year-old president insists that the situation is "normal" and that he has "no problem sleeping". He refuses to resign.

Brazil's current situation would cause a mood of despondency in most countries, Professor Roderick Roett, head of the Johns Hopkins School of Latin American Studies in the US, says. "Increasingly I see Brazil as having a set of intractable economic and political problems which no one person can solve."

Yet the mood in the streets is one of hope, particularly because the military, which held power between 1964 and 1985, shows no sign intervening. Even within the embattled government there is optimism.

Mr Carlos Garcia, the Minister for Special Projects, says: "This is the ultimate crisis. The good thing is if we can survive this, we can survive anything."

Over the next few weeks, Brazil's fate will be decided. Mr Collor's lawyers are expected to put up technical challenges to the congressional report, arguing that the subject of inquiry was Mr Farias and thus did not have the right to incriminate the president. They also plan to contest the



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Impeachment process; the section of the 1988 Constitution which sets down the procedure has not yet been ratified.

Mr Iseu Pinheiro, president of Congress, has already said that he will accept next week's request. The battleground then becomes the lower house of Congress where a two-thirds majority is required to open proceedings.

Mr Collor's allies and opposition are currently engaged in a frantic game of political arithmetic to ensure success in the vote. A wave of defections prompted by the demonstrations and reflected in the overwhelming approval of the report, suggests that Mr Collor no longer has the 168 votes needed to hold onto power.

Indefinite politicians and businessmen are already queuing up to see Mr Bamar Franco, the vice-president who

assumes office in the event of Mr Collor's departure.

If the vote goes against Mr Collor he will be suspended from office for 180 days. Mr Franco will take over while the Senate carries out its own investigation and hears the president's defence before making recommendations to the Supreme Court on whether he committed a "crime of responsibility" for which the penalty is losing office.

A criminal investigation may also be brought against him by the Federal Prosecutor, head of

the country's independent judiciary. If convicted he could go to jail. This is thought quite likely if impeachment is approved.

Even if Mr Collor manages to muster sufficient votes in congress to withstand the impeachment process or succeeds in convincing the Senate of his innocence it is likely to be a hollow victory. He is likely to be left a lame duck president, discredited in the public eye and unable to push through the reforms which are necessary to balance government finances and revive the economy.

Whatever outcome emerges, the one certainty for the coming months is continued economic paralysis.

Although the economics team has kept the currency fairly stable during the crisis, all investment decisions by foreign and domestic companies are currently on hold. Crucial fiscal reform has been delayed, tax revenues are falling, an agreement with the International Monetary Fund has all but collapsed threatening the recent accord with creditors on the restructuring of \$44bn of commercial debt.

In the year to the end of June, prices increased by an average of 850 per cent, compared to 20 per cent in neighbouring Argentina. Monthly interest rates are in excess of 30 per cent.

The financial markets are making no secret of their hope that Mr Collor makes a speedy exit. They rose last week on rumours of his resignation and again this week because the pace of events has been moving faster than anticipated.

Already the slowest growing of the large Latin American economies, Brazil is lagging far behind its neighbours in economic reform programmes such as tariff reduction, privatisation, and particularly in fiscal reform. This year, it is expected to achieve a nominal expansion of Gross Domestic Product of a meagre 1 per cent.

But long-term comfort is being drawn from the resilience of the country's political institutions and the political reform expected to result from "Collorgate". These include new electoral rules and the introduction of a parliamentary system of government, as well as the implementation of anti-corruption measures being pursued by congress.

Mr Ulysses Guimarães, Brazil's most respected politician, says that in his 44 years as a congressman he has never seen such a wide-ranging crisis. "But we now have the chance to create a new Brazil where no corrupt person can come to power."

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More than one in four of the 16-year-olds in the UK who received GCSE grades yesterday will be off to university in two years, on government projections.

Of their parents' generation, barely one in 10 went on to higher education. In the mid-1980s, only one in seven 18-year-olds did so. By the year 2000 it is expected to be one in three.

The challenge facing Britain's universities is to create a system of mass higher education in about a decade. For all the current preoccupation with schools opting out of local authority control, financing and building that system is the most pressing policy issue on today's education agenda.

Most of the expansion will be met by existing, not new, institutions. While educationalists argue about falling GCSE and A-level standards, vice-chancellors are drawing up urgent plans to increase their student intakes. The political pressure behind them is intense. Mr John Major sees higher education as the key to his "classless society", and not just for school leavers. The number of mature students nearly doubled in the 1980s. In 1990, for the first time, more mature than young students embarked on courses, and the trend appears to be continuing.

In a research paper published this week by the National Commission on Education, Professor A H Halsey of Nuffield College, Oxford, argues that Britain is moving towards "an ancient concept of higher education as embracing all post-compulsory or post-secondary schooling".

It is also moving towards American-style lecture crowds and American-style student finance, with students borrowing or working their way through college. Already, student maintenance grants are fixed, with a larger proportion of state funding taking the form of loans each year. Fees for full-time UK students studying for first degrees are still paid in full by the state, but some vice-chancellors want to charge top-up fees to boost their colleges' income.

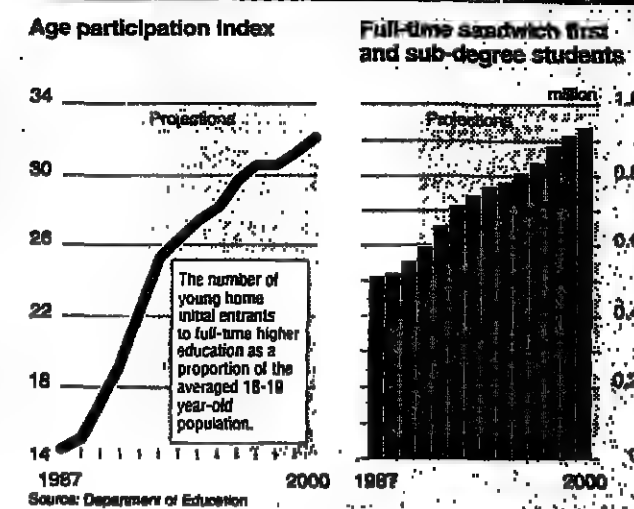
The government is resistant, but if one prediction can be made with confidence, it is that financial support from Whitehall will not rise by the one-third necessary in real terms to keep pace with the rise in full-time student numbers over the next eight years.

The increased numbers will not, however, be spread evenly across the system. Glossy new

Funding higher education will be difficult, says Andrew Adonis

Busier groves of academe

Higher education: preparing for the rush



signboards will not miraculously change South Bank Polytechnic into Oxford. In reality a threefold division between research, teaching and "mixed" universities will soon be as firmly fixed as the old divide between universities and polytechnics.

The former polytechnics (now dubbed "new universities") have borne the brunt of expansion, some doubling in size. Student numbers at Leeds Polytechnic will rise from 16,500 to 19,000 in the next year alone, on top of annual increases of between 12 and 15 per cent in each of the past four years.

At the other end of the spectrum, between 1989 and 1994 Cambridge University is planning to increase its full-time undergraduate numbers from 10,190 to just 10,600. Cambridge is determined to defend its

research capacity, and believes that to be incompatible with any large increase in student numbers. The new funding methodology used by the Universities Funding Council, which directs research grants disproportionately towards highly rated research institutions, will enable it to do so without financial penalty.

Only about a dozen other institutions will be similarly privileged: the rest, including most of the "old" universities, will have to pack in the students to earn their cash.

"We have coped by putting immense pressure on the working week," says Mr Frank Griffiths, deputy director of Leeds Polytechnic. "Our day now lasts from 9 am to 9 pm. But the next increase will require more space - and capital funding will have to be found from somewhere."

"Somewhere" will increasingly be the commercial banks. The University (formerly Polytechnic) of North London (UNL), which plans to double in size over the 1990s, is completing a building project funded by the government. For the rest of the decade its expansion will have to be funded largely by loans and an appeal to mark its centenary.

The university wants to maintain its 1:10 ratio of bed-spaces to students and is anxious to prevent its staff:student ratio - at 1:20, already far worse than for state secondary schools - from deteriorating further.

Says Mr Cliff Wragg, UNL's secretary: "Five years ago we were not involved in the commercial borrowing market; now, if we are to increase access, we have no choice." His main worry is the government rules that restrict universities from borrowing against assets originally paid for by government grants. The recent Pearce report on higher education expansion recommended a relaxation of the rules, but the Treasury has yet to respond.

The "old" universities have not been immune from the pressure. According to estimates by the Association of University Teachers, last year's "unit of resource per student" was about \$4,000 at Cambridge; but at Keele, which is growing rapidly, it was \$2,300. This year, half of Keele's students are funded on a "bespoke" basis, with no contribution to their overheads forthcoming from the Universities Funding Council. Spending on repairs and maintenance in the "old" university sector fell by about 50 per cent in real terms between 1979 and 1990.

Visit a university, however, and you will find at least as much enthusiasm as gloom. Vice-chancellors are full of ideas for moving to semesters to use the year more productively, for using their buildings more efficiently, for innovative use of information technology and distance learning, for the franchising of courses, and for conference and research companies to maximise income.

"Universities are big business, and we are less financially dependent upon the government with each passing year," says Mr Colin Campbell, vice-chancellor of Nottingham University. How long that process can or should continue is one of the principal issues of the next decade.

Additional reporting by David Hook

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Driving out photocopier 'cowboys'

From Mr Ron Young.

Sir, Members of the Finance & Leasing Association, who account for about 80 per cent of the UK photocopier leasing market, are concerned about the bad publicity on the industry ("Companies fooled by 'cowboy' copier salesmen", August 18). Much coverage has not mentioned steps taken to correct the situation described. The vast majority of complaints are not against members of the F.L.A. Detailed F.L.A. guidelines were agreed in January addressing the problems of documentation. These were registered by the Office of Fair Trading. All members' documentation had to be revised by April 1 and this was achieved. These guidelines ensure contracts do not contain unclear clauses which could involve costly extras. They state that the period of hire must not be longer than the expected life of the equipment.

We like the CBI and the Campaign To Clean Up Copier Contracts, are determined to eliminate the industry's problems.

Ron Young, chairman, Finance & Leasing Association, 19 Upper Grosvenor Street, London W1X 9PB

Over-shadowed

From Mr John East.

Sir, Observer (August 24) errs in stating that, in 1991, the Daily Mirror regained the number one circulation spot among national newspapers. The Sun overtook the Mirror in 1978 and has remained ahead ever since. The Sun has a circulation of 3,567,863, some 700,000 more than the Mirror, according to Audit Bureau of Circulation figures for February to July this year.

If Observer was referring to the combined sales figure of the Daily Mirror and the Daily Record in Scotland, this should have been pointed out to your readers. John East, circulation director, News International Newspapers, PO Box 481, Virginia Street, London E11 9BD

How to help industry without cutting rates

From Mr Malcolm Levitt.

Sir, The impression that nothing can be done to help British industry until interest rates fall is astonishing - the more so now that interest rates might even be increased. Let us initially assume that the public sector borrowing requirement must not increase. The government should raise public spending in a manner which maximises domestic output and employment per pound spent as soon as possible. Public spending in any event tends to have a relatively low import content, so that less leaks into the stimulation of foreign output than is the case with personal consumption. Simultaneously, it should declare that taxes will be increased from next year -

other than those which would raise business costs; the additional revenue would be partly at the expense of reduced personal savings but mainly at the expense of reduced consumption - which has a relatively high import content.

The aim would be to ensure a balanced budget increase (that is, a fiscally neutral one) over the coming 18 months or longer. The net effect would be a stimulation of domestic output. One might even drop the assumption or requirement of fiscal neutrality and go for a straight increase in public spending without a wholly offsetting increase in revenue, but for a limited period. Malcolm Levitt, 1 Oakcroft Road, London SE18 7ED

National rate differential is diversion

From Mr Frank Boll.

Sir, Lex (August 26) repeats the argument for dollar bearishness dominant in the market today; that "any immediate narrowing of the short-term interest rate differential looks highly unlikely".

A narrowing of that differential is not necessary for the dollar to bottom out. An awareness that it stands at its maximum is sufficient. Sooner or later activity in the US will pick up and that in Germany decline; that is almost a certainty, and the market will realise it.

The expectation of an eventual narrowing is much more important than the narrowing itself. The market is currently reluctant to consider the likelihood of narrowing, mainly because such expectations have been frustrated in recent months.

The market could also move its focus to many other subjects. Market sentiment can turn round quickly and unpredictably.

Moreover, to earn the present 6.5 per cent differential, one needs to hold D-Marks for one year. But the dollar has been known to move by 4 to 5 per cent in just 24 hours at times during the last 10 years.

Finally, capital flows are provoked by portfolio decisions. The rising interest rate differential has increased the proportion of D-Marks that agents want to hold. As that proportion is approached, capital flows taper off, in spite of the differential remaining the same.

Frank Boll, managing director, Ecofis, Beatrijslaan 89, 3110 Rotselaar, Belgium

Change in attitude to dividends not recognised

From Mr R J Stone and Mr C Evans.

Sir, The recommendations against dividend cuts by Professor Paul Marsh ("Why dividend cuts are a last resort", August 12) are historically correct and no doubt welcomed by nervous income fund managers. But are they relevant in 1992?

The majority of the survey covers a period when dividend cuts were relatively unheard of. The rigours of a long recession are now exposing the weak areas in the operations of many companies, and share prices tend to discount dividend cuts long before any announcement.

What the survey fails to recognise is the significant change in attitude by many companies to dividend pay-

ments over the past few months. As the prospect of an upturn recedes and strong positions have weakened, the most popular statement in the forthcoming results season could be: "In order to conserve resources your directors have decided to maintain/reduce/pass the dividend."

The obviously weak will pass payments, those with fragile balance sheets will reduce, while former stars of dividend growth will decide that a maintained dividend or a modest increase will not only help future investment but probably do little or no harm to their share price in the current climate.

R J Stone and C Evans, Dividend Analysis, 25 Luke Street, London EC2A 4AR

Rise in UK exports vital for companies' survival

From Mr Ian J Campbell.

Sir, Our worsening trade figures indicate that the UK is on track for a £10bn deficit in 1992.

It is perhaps instructive that the figures were published on August 24, the same day as your article, "Heads buried in the sand" over VAT rules, which pointed out that nearly

90 per cent of UK businesses are not yet prepared for VAT reporting in the single market.

Until and unless exports feature as a priority on every chief executive's agenda, our balance of trade will remain negative. Sterling will stay under pressure, and interest rates, home repossession and

unemployment will continue to rise.

UK companies must export more - not only to prosper, but to survive. Ian J Campbell, director-general, Institute of Export, Export House, 64 Clifton Street, London EC2A 4HB

OBSERVER

Sending for Mr Major

Does President François Mitterrand really know what he is doing in attempting to enlist John Major's help for his own faltering pro-Maastricht campaign?

Asking Britain's prime minister to appear on French TV ahead of next month's referendum could be another sign of the old fox's astute political cunning. But then again, it could be an indication that the 76-year-old president is simply losing his touch.

Major does, it is true, tend to sound a lot more persuasive on the virtues of Maastricht when translated into French. His eloquent support for the treaty in his interview in *Le Monde* a couple of months ago "Je l'ai négocié, j'y crois!" sounded a great deal more fulsome than anything before.

On the other hand, the intervention of a politician from perilous Albion in French domestic politics might make many French voters suspicious of some sort of *outré-Manche* plot against French interests.

Similarly, yesterday's announcement by Mitterrand's arch-enemy Jacques Chirac, the leader of the neo-Gaullist opposition, that he will aid the "Yes" campaign may have sent a frisson through the Elysée palace. Perhaps Mitterrand would be well advised to rely on the support simply of Chancellor Helmut Kohl, who has so many problems of his own that he clearly cannot afford to meddle beyond his borders.

Fine example

The economics profession is out of touch with the real world and has failed dismally to predict the future. So said

Peter Ormerod, chief economist at the Henley forecasting centre, at the British Association science meeting yesterday.

Ormerod should know all about forecasting problems. In January last year Henley predicted the UK economy would expand 0.8 per cent in 1991. In fact it contracted 2.4 per cent. This January it projected 1.9 per cent growth for 1992. Output now looks like declining by around 0.5 per cent.

Is this a case of self-flagellation, or is Ormerod offering himself as a suitable case for treatment?

Rejected

The British government moves in strange ways in its efforts to revive morale at the chalkface. Who has John Major just appointed as the new member of the school teachers' pay review body? None other than Mrs Anna Vinton, joint chairman of the Reject Shop.

Ready-to-wear

Recognition at last for the world's condom industry. Recent news from as far afield as Japan and Russia demonstrate that the industry is finally coming out of the closet.

Japanese couturier Michiko Koshino, has launched the country's first designer condom. This season's colours are pink, blue, and natural. Called Michiko London, it will be produced in a tie-up with Fuji Latex, Japan's second largest condom maker, and sold through the 50 retail outlets in Japan which bear her name. The American and European markets are next on the list.

Koshino says her 31 licensees who run the shops were at first uneasy but had been won



"I forget - are we approaching imminent recovery from a recession or a slump?"

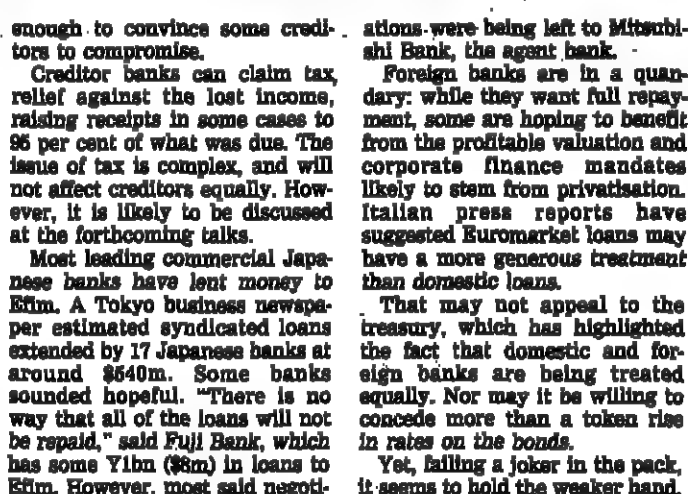
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rose from £19.1m to £33.6m (\$66.9m) for the six months ended June 30. These were reduced by £5.5m of provisions taken against property trading assets in the UK, Australia and the US, compared with provisions of £10.9m a year ago.

Str Nigel saw no further need for major provisions.

Earnings per share were 6.7p, up from 4.7p.

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INTERNATIONAL COMPANIES AND FINANCE

992

Restructuring at EAC following decline into red

By Our Correspondent in Copenhagen

EAST ASIATIC Company (EAC), the Danish shipping, graphics and consumer products group, reported a first-half 1992 net loss of DKK181m (\$32m) and forecast a full-year net loss of DKK275m. EAC's net first-half profit for 1991 was DKK82m, with net profit for the full year at DKK245m.

The company announced a management reshuffle and a major DKK150m restructuring programme to help it to cope with the difficult trading conditions.

Mr Henning Sparsoe, EAC's chairman and chief executive, will hold the post of chairman, with deputy managing director Carsten Dencker Nielsen becoming chief executive.

EAC's restructuring programme includes cutting 153 staff at the group's Copenhagen headquarters and decentralising the main consumer products, graphics and transport divisions as well as ending the energy and property divisions and reorganising the trading division into two new wholly owned units, EAC Timber and EAC Wool.

Mr Hafnia, the Danish insurer, which suspended payments last week, said it had completed plans to reduce domestic staff by 21 per cent, Reuters reports from Copenhagen.

The 527 job cuts, which will save DKK300m annually, have been planned since last June.

The group's bank and insurance units are operating as usual under a new company, Hafnia Holding of 1992, to which assets of DKK5.9bn have been transferred.

Debts of around DKK8bn, mainly due to massive losses in share portfolio value, remain in the old holding company which suspended payments.

Weir advance lifts engineering gloom

By Jane Fuller in London

WEIR Group, the engineering concern with about 60 per cent of its sales overseas, eased some of the gloom surrounding the UK engineering sector with a 23 per cent advance in pre-tax profit in the first half of this year.

After rises in interest income and contributions from associates, the pre-tax figure rose from just over £15m (\$23.5m) to £18.5m. Turnover stood at £194.8m against £208.2m.

The group dominates the UK market for large, liquid-moving pumps and the base for its strong export business is its low-cost manufacturing site in Glasgow. It is cash-rich and has a record of acquiring other companies at modest prices.

Lord Weir, chairman, said he did not want people to think that there was "some magic" in the group's performance.

"Although we are doing better, it is bloody difficult," he said.

"We have been battling to improve productivity and keep costs under control and, quite honestly, at today's exchange rates we are competitive," he said.

Lord Weir stressed the importance of cash generation. Although the net amount held had slipped from about \$45m in December to \$40m in June, there had been an inflow of \$12m, leaving aside acquisitions. Interest income rose by more than £700,000 to £1.67m.

Operating profit advanced by 18 per cent to £14.6m. Among buoyant sectors were oil in the Middle East and power in Asia.

Earnings per share advanced to 16.4p from 14.4p. The interim dividend is being raised to 3.5p, from 3.1p.

The share price gained 13p to close at 507p.

Lex, Page 13

Pub trade continues to suffer say brewers

By Philip Rawstone in London

THE impact of the recession on the pub trade is getting worse, brewers reported yesterday.

Some industry estimates suggested that volume beer sales through pubs in the past two months were 5 per cent down on the same period last year, though the take-home market was more buoyant.

"Trading conditions, far from showing any improvement, have further deteriorated," Sir Alick Rankin, chairman of Scottish & Newcastle, said at the company's annual meeting in Edinburgh.

"We cannot, as yet, discern any sign of a future upturn."

Sir Alick said that the impact of the recession, which had been felt mainly in the south-east, was spreading into northern England and Scotland.

Scottish & Newcastle was gaining market share, he claimed. "However, it must be acknowledged that we are currently operating in a highly competitive, reducing market place."

The group's holiday operations, Center Parks and Pontins, were also being affected by a general trend for customers to book later and spend less. He warned that the company could not expect to overcome all the negative aspects presented by today's business climate.

Mr Simon Redman, chairman of Greene King, the East Anglia-based brewer, told his shareholders yesterday that the company's sales so far this year were slightly below those in the same period last year.

"At the moment we see no real signs of an end to the recession," he said. "Trading conditions have, if anything, deteriorated in the last two months after some improvement in May and June."

Whitbread said that its beer sales were ahead of last year's but agreed that the pub trade had fallen in July and August.

Beas described trading conditions as "very, very tough", but claimed it was gaining share in a declining market.

Daimler-Benz boosts German stock market

By Andrew Fisher

DAIMLER-BENZ yesterday gave the German stock market a much-needed filling by reporting a 16 per cent rise in net profits for the first half to DM1.02bn (\$640m), reflecting lower taxes and the first-time inclusion of earnings from Airbus.

However, Germany's biggest industrial concern was muted about prospects in the second half, referring to a "subsiding boom" in Germany and uncertainties about export markets.

The company's shares, buoyed by the higher earnings, closed DM20 higher at DM610.80.

Pre-tax operating profits were 3.25 per cent lower at DM2.02bn. The group said that while export business and sales of the more expensive Mercedes-Benz cars increased, car demand in Germany weakened.

It plans to reduce car output to 543,000 cars from 578,000 in 1991. In the first half, production was 284,500 against 297,000 cars.

Group earnings benefited from the rise in financial profits to DM518m from DM318m partly reflecting the first-time inclusion of Daimler's 80 per cent share in Deutsche Airbus. Lower taxes, with Daimler now able to offset some divisional

losses against tax, also helped the net result.

Daimler-Benz said group net income in the whole of 1992 should reach last year's level, and repeated its forecast that turnover should exceed DM100bn.

In 1991, after the group had also forecast same-again earnings at the halfway stage, earnings were 8 per cent higher at DM1.9bn, with turnover up by 11 per cent to DM95bn.

It raised its dividend for the first time since 1986 by DM1 a share to DM13.

Daimler, whose activities also include aerospace, electrical and electronics products and systems, and financial ser-

vices, said turnover in the first half increased by 9 per cent to DM46.3bn.

Sales to the rest of the EC rose by 5 per cent to DM9.0bn, with a 20 per cent jump in US business to DM6.6bn.

The Mercedes car and truck operations accounted for 74 per cent of turnover, with a 9 per cent improvement to DM34.9bn.

Because Mercedes' new luxury S-class model was available for the whole period, car revenues advanced by 11 per cent to DM21.2bn.

Unit sales were slightly down at 288,000 cars.

In Germany, car registrations of 138,400 were also down

marginally on last year's high level. Markets where unit sales showed marked gains were the UK, Belgium, and Spain. In the UK, volume was 23 per cent higher.

On the truck side, turnover was 7 per cent higher at DM13.7bn, with output 4 per cent higher at 150,500 units. New registrations rose by 7 per cent.

In North America, the Freightliner truck operation raised unit sales by 35 per cent, with a market share of 23 per cent. It became for the first time the leading manufacturer in the US heavy duty truck market.

World stock markets, Page 33

VW improves 3% to DM445m

By Andrew Fisher

VOLKSWAGEN, the German car concern, yesterday reported a 3 per cent increase in its net profits for the first half of 1992 to DM445m (\$278m), though turnover showed much stronger growth of 11 per cent to DM63.8bn.

The group said that the net figure still reflected the start-up costs of new models such as the Golf and Vento family cars. These costs had continued from last year into the first quarter. This particularly affected the parent company, where earnings were 15 per cent lower at DM262m. The second quarter was much better than the first as a result of greater availability of vehicles.

At the pre-tax level, the VW group operating profit was down by 17 per cent at DM987m. But taxes were much lower, leading to the higher net result.

Shares of VW moved up by DM10.50 on the result to close at DM324.50, though some analysts had expected a rather better performance.

For the full year, VW repeated its forecast that sales would total some 3.5m vehicles.

Last year, it increased sales by 3 per cent to 3.13m units. In the first half of this year, unit sales were 5 per cent higher at

1.5bn vehicles. But while foreign sales rose by 19 per cent to 1.14bn units, those in the domestic market were 11 per cent lower at 656,000.

The company looked forward to a more positive world economic development in 1993 and hoped some of the improvement could start in the second half of this year.

VW's new projects would then reduce strains on capacity and put the group in a position to meet growing demand. But it said it was not ignoring the warning signs about the domestic economy and the likelihood of a return to normal after the impact on demand of unification.

Volvo's sales rose by 9 per cent in the first half to SKr41.28bn from SKr37.94bn. Its operating loss was SKr635m compared with an operating deficit of SKr558m for the same period of last year. In spite of this, the cash flow was positive due to a reduction in working capital.

The loss came after rationalisation measures and lower product development costs. The deficit continued in the second quarter because of weak margins and non-recurring costs involved in taking over the British import company's marketing operations.

It added the loss was less than for the same period of 1991.

Car sales rose to SKr22.95bn for the first six months and Volvo sold 160,100 vehicles compared with 166,000 for the

Volvo reports loss of SKr103m for the opening six months

By Robert Taylor in Stockholm

VOLVO of Sweden reported yesterday a SKr103m (\$19.3m) loss after financial items for the first half of the year. This compares with a SKr1.16bn profit for the same period of 1991.

The company said that viewed as a whole it did not anticipate any improvement in performance in "the immediate future".

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corresponding period last year. However, Volvo lost sales and market shares in Britain and Germany while it improved its sales in Spain by 20 per cent.

The company said its North American sales had stabilised after a 12 per cent drop last year.

The truck division made a financial loss in the first half and it suffered a 10 per cent decline in sales over the same period to SKr7.52bn with a 15 per cent decline in European sales of its heavy trucks over the six months.

By contrast, it improved its heavy truck sales in the US where the company's market share improved to 13 per cent from 11 per cent. Volvo said its bus operations developed well and achieved a profit.

Volvo said the truck group reported a loss for the first half of 1992 compared with a profit in the same period last year.

The company added that its cost-cutting programme was continuing and it had brought a saving of SKr600m during the second quarter of the year.

So far, the measures have cut Volvo's costs by SKr4.1bn since 1990 and by the end of the year it estimated the annual cost level would have been reduced by about SKr5.2bn.

Five-fold increase at Renault

By Alice Rawsthorn in Paris

RENAULT, the French state-owned motor group, saw its pre-tax profits rise five-fold to FF45.44bn (\$11.3bn) in the first half of this year, from FF9.82bn in same period of 1991, thanks to a strong performance from its car division.

In spite of the depressed state of the European car market, Renault managed to raise its market share from 9.9 per cent to 10.5 per cent in the first half. It sold 787,000 cars during the period, its highest sales figure for more than 10 years, bringing its share of the French market to 30 per cent, the same as its arch-rival, Peugeot-Citroen.

However, Renault warned that the downward trend in the motor market could accelerate in the second half. The group said it was confident of achieving higher earnings in 1992 than in 1991, but cautioned that profits for the second six months of the year, could be lower than in the first.

Overall sales rose by 14 per cent from FF783.23bn to FF944.83bn. The car division showed the fastest growth, with an 18 per cent increase in interim turnover from FF67.17bn to FF78.46bn. The commercial vehicles division

came under pressure in the difficult economic climate with sales falling by 4.2 per cent to FF12.96bn from FF13.52bn.

Renault managed to increase operating income to FF5.32bn from FF1.52bn and to reduce financial charges, thanks to a decline in net debt, to FF422m from FF685m. Exceptional charges fell to FF5m from FF515m. The contribution from Renault's financial companies rose to FF810m from FF582m. This includes Renault's share in Volvo, the Swedish motor group with which it has formed a partnership, which represented a FF307m loss.

Renault's sales rose by 14 per cent in the first half to FF94.48bn from FF83.23bn. Its operating loss was FF635m compared with an operating deficit of FF558m for the same period of last year. In spite of this, the cash flow was positive due to a reduction in working capital.

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New issue

This announcement appears as a matter of record only.

37th August, 1992



TOYO KANETSU K.K.

U.S. \$100,000,000

2 1/4 per cent. Guaranteed Notes 1996

Warrants

to subscribe for shares of common stock of Toyo Kanetsu K.K.
The Notes are unconditionally and irrevocably guaranteed by

The Kyowa Saitama Bank, Ltd.

Issue Price 100 per cent.

Yamaichi International (Europe) Limited Kyowa Saitama Finance International Ltd.
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Nomura International S.G. Warburg Securities
Robert Fleming & Co. Limited Mitsubishi Trust International Limited
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5% Guaranteed

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ADIA S.A.

NOTICE IS HEREBY GIVEN that at an Extraordinary General Meeting of Shareholders held on May 26th, 1992 it was resolved that effective June 4th, 1992 the name of the Company would be amended to:

ADIA FINANCIAL SERVICES (CURACAO) N.V.

There will not be an exchange or an overwriting of the Bonds. However, the Bonds will remain listed on the Luxembourg Stock Exchange under the name Inspectorate International Finance N.V. followed by the name Adia Financial Services (Curacao) N.V.

By: Bankers Trust Company, London Agent Bank August 28th, 1992

U.S. \$500,000,000

Lloyds Bank Plc

(Incorporated in England with limited liability)

Primary Capital Underwritten

Placing Rate Notes (Series 2)

For the three months August 28, 1992 to November 30, 1992 the Notes will carry an interest rate of 3 1/4% p.a. with a Coupon Amount of U.S. \$99.25 payable on November 30, 1992.

By: The Chase Manhattan Bank, N.A. London, Agent Bank August 28th, 1992

U.S. \$400,000,000

Banque Paribas

Du Commerce Exterior

Guaranteed Floating Rate Notes due 1997

For the three months August 28, 1992 to November 30, 1992 the Notes will carry an interest rate of 3 1/4% p.a. with a Coupon Amount of U.S. \$99.25 payable on November 30, 1992.

By: The Chase Manhattan Bank, N.A. London, Agent Bank August 28th, 1992

U.S. \$200,000,000

Bergan Bank A/S

Perpetual Floating Rate Notes (with the right to subordinated)

In accordance with the provisions of the Notes, notice is hereby given that for the six months period from August 28, 1992 to February 28, 1993, the Notes will carry an interest rate of 3 1/4% p.a. with a Coupon Amount of U.S. \$99.25 payable on February 28, 1993.

By: The Chase Manhattan Bank, N.A. London, Agent Bank August 28th, 1992

U.S. \$200,000,000

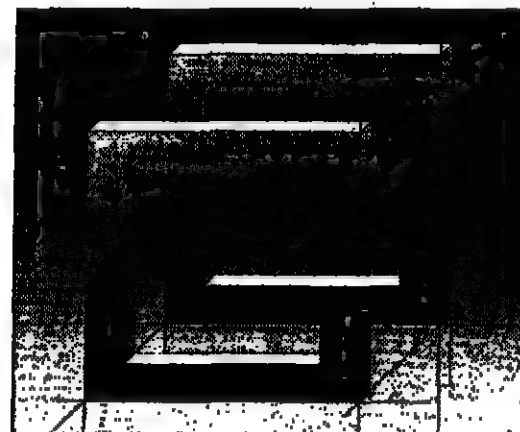
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By: The Chase Manhattan Bank, N.A. London, Agent Bank August 28th, 1992

Interim Report as of June 30, 1992



The full Interim Report on the development of our bank's business from January 1 to June 30, 1992 is available.

If you wish to receive the report, please contact us (Frankfurter Hypothekenbank AG, Postfach 10 08 48, D-6000 Frankfurt a. M. 1), stating the number of copies required.

Frankfurt am Main, August 1992

The Board of Managing Directors

Frankfurter Hypothekenbank

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هكزان الثمن

Lopez leads GM car parts crusade

Martin Dickson on a man whose warriors made an industry squeal

This announcement appears as a matter of record only



The NATIONAL AGENCY FOR PRIVATIZATION

Bucharest, Republic of Romania

has sold 71 % of
the shares
in

VRANCO S.A.

Focsani, Republic of Romania

to

INDUSTRIA CONFEZIONI MONTECATINI
(IN.CO.M.) SpA, Italy

We acted as the financial adviser to the sellers in this
transaction.

Roland Berger & Partner GmbH
International Management Consultants

Privatization and M & A Services
Kaiserdamm 6, 1000 Berlin 19, Germany
Arabellastraße 33, 8000 Munich 40, Germany.

Berlin-Dresden-Düsseldorf-Frankfurt-Hamburg-Hannover-Munich-Stuttgart
Barcelona-Bucharest-Buenos Aires-Kiev-Lisbon-London-Madrid-Milano-Moscow
New York-Paris-Prague-Rome-Sao Paulo-Stockholm-Tokyo-Vienna

U.S. \$100,000,000

First Bank System, Inc.

Floating Rate Subordinated
Capital Notes Due 1997

Interest Rate 5.25% per annum
Interest Period 28th August 1992
30th November 1992

Interest Amount per
U.S. \$50,000 Note due
30th November 1992 U.S. \$885.42

Credit Suisse First Boston Limited
Agent

SOCIETE GENERALE

USD 210,000,000

SUBORDINATED

FLOATING RATE NOTES

DUE 2002

For the period August 27,

1992 to February 26, 1993

the new rate has been

fixed at 5.125 % P.A.

Next payment date:

February 26, 1993

Coupon nr: 1

Amount:

USD 130,26

for the denomination of

USD 5 000

for the denomination of

USD 100 000

THE PRINCIPAL PAYING

AGENT SOCIETE GENERALE

GROUP

15, avenue Emile Reuter

LUXEMBOURG

INTERNATIONAL COMPANIES AND FINANCE

Swire rises 101% at half year after benefiting from lease sale

By Simon Davies
in Hong Kong

SWIRE Pacific, the Hong Kong-based aviation, property and trading group, revealed a 101 per cent increase in net profit to HK\$2.18bn (US\$282m) for the six months to June.

The figures were buoyed by the HK\$833m exceptional profit from the sale of the leasehold interest on an office site to Hong Kong Telecom. But recurrent earnings were also 43 per cent higher.

"Notwithstanding the weakness of Cathay, virtually all the other Swire businesses are

exceeding profit forecasts", said Mr Sheldon Kasowitz, research manager at Jardine Fleming, who is expecting full year profit of HK\$4.3bn.

Turnover for the period increased 27 per cent to HK\$19.95bn, while earnings per share soared to 137.4 cents for the A shares and 27.5 cents for the B shares. The interim dividend is 25 cents for A shares and 5.8 cents for the B shares.

Cathay Pacific, the international airline subsidiary, announced a 13 per cent rise in profits on Wednesday. The figures reflected recovery from the Gulf war, but disappointed

analysts who had underestimated the impact of recession and price wars.

The main engine of growth for Swire was its enlarged property portfolio, rental income increasing to HK\$798m from HK\$697m, as a result of initial contributions from Cityplaza III and IV, and higher rental rates in its Pacific Place development.

The industrial and trading division recorded strong growth, contributions from the Coca-Cola bottling operations in the US and the Taiwanese vehicle sales division, both better than expected.

The insurance division showed an improved performance, but earnings from offshore oil services were below budget.

The outlook for the full year remains positive. The two new Cityplaza office towers are 99 per cent occupied and Swire will receive a full six-month contribution from the properties.

The only question mark over the second-half performance will be Cathay Pacific, whose earnings will depend on factors such as oil price, dollar movements and the extent of the current price war.

Lend Lease improves on good MLC results

By Kevin Brown

LEND LEASE Corporation, the Australian property and financial services group, yesterday announced a 6.5 per cent increase in net profit to A\$171m (US\$122.4m) for the year to June 30, largely reflecting a strong performance by its MLC Life insurance subsidiary.

Mr Stuart Hornery, chairman, said MLC Life, Australia's third largest life insurance company, paid a 70 per cent franked dividend of A\$103m, against A\$32m last time.

Overall, retail financial services contributed A\$109m to the result, equivalent to 55 per cent of group net profit, up from 45 per cent previously.

The results do not include a contribution from Australian Eagle, the life insurance business acquired by Lend Lease this year for A\$155m.

Lend Lease said the contribution from property services fell to A\$62m, equivalent to 32 per cent of group profits, from A\$79m (43 per cent) the previous year.

The group has made provisions of A\$40m against its commercial property portfolio, compared with A\$72m the previous year. Total provisions stand at A\$144m.

It said its focus on regional shopping centres, infrastructure and the industrial market would provide "significant opportunities" in spite of the generally depressed property market. Mr Hornery said Lend Lease had increased its share of the construction and reconstruction market.

The result was struck after an abnormal loss of A\$18m, mostly relating to property write-downs, against an abnormal gain of A\$12m last time. But the impact on net profits was offset by a tax credit of A\$6.5m relating to a tax audit for the four years to 1989.

Lend Lease declared a fully franked final dividend of 39 cents, against 32 a year earlier, making a total of 73 cents against 71 cents. The shares closed unchanged at A\$15.90 on the Australian Stock Exchange.

Fairfax exceeds prospectus forecast

By Kevin Brown in Sydney

JOHN Fairfax Holdings, the Australian newspaper group controlled by Mr Conrad Black, yesterday unveiled pre-tax profits for the year to June which exceeded forecasts in its pre-floatation prospectus.

Profits before interest and tax increased by 9.8 per cent to A\$129.8m (US\$93.3m), on turnover up 2.8 per cent to A\$729.1m. The group said in March that pre-tax profits would increase to A\$123m on turnover of A\$723m.

Fairfax also said it was entitled to A\$65m in tax credits, up from A\$52m in the prospectus, which suggests the group is unlikely to pay income tax for at least five years. Sir Zelman Cowen,

chairman, said the result was "extremely good" in the light of "a very difficult economic environment" caused by Australia's slow recovery from recession. Earnings since June had been "broadly in line with projections, despite the continuing recession and uneven trends in advertising volumes."

Analysts said profitability had increased markedly since January, when Fairfax was acquired for A\$1.4bn by the Touring consortium led by Mr Black's UK Daily Telegraph.

The group said second-half earnings before tax and interest were 11 per cent higher at A\$60.1m, on revenue of A\$367.4m, up 1.6 per cent on the prospectus forecast. Operating costs fell 0.4 per cent to A\$25.8m.

Net profit was 29 per cent higher than expected at A\$15.5m, after net interest expenses of A\$33.1m and income tax of A\$11.5m. However, the group said the tax bill would be offset against the tax credits. It did not declare a dividend, in line with its prospectus forecast.

Fairfax said circulation of all its main titles increased, but advertising volumes fell sharply. However, advertising revenue was unchanged at A\$534m, indicating a significant improvement in margins.

More than 180 staff had left through early redundancies and voluntary redundancies suggesting that costs are likely to fall further.

Following a flotation in May, the Telegraph owns 15 per cent



Mr Conrad Black

of Fairfax. Hallman and Friedman, the US investment bank, owns 5 per cent in the form of non-voting debentures, and Australian financial institutions own the rest.

Pasminco blames loss on lower metals prices

By Kevin Brown

PASMINCO, the Australian lead and zinc group, blamed lower metals prices for a net loss of A\$58.9m (US\$41.9m) for the year to the end of June, against a loss of A\$47.8m the previous year.

Revenue fell from A\$1.5bn to A\$1.3bn, largely reflecting falls of 11 per cent and 23 per cent in the average prices of zinc and lead on world markets. The loss was in line with the

profits warning issued by the group last month, which coincided with the partial unwinding of an 80.6 per cent joint shareholding formerly held by North Broken Hill Peko (North) and CRA, the Australian mining group.

The group is still trying to sell Peko but has not received an acceptable offer. It said negotiations were continuing on the sale of its smelter and alloying plant in the UK.

Mr Peter Barnett, managing director, said metals prices had

risen in recent months and they The company had also benefited from the significantly better A\$/US\$ exchange rate.

As expected, the board said there would be no dividend payment.

North and CRA reduced their 40.8 per cent shareholdings in Pasminco to 30 per cent and 31 per cent respectively in July, signalling the end of their joint commitment to Pasminco.

Taxation Office. The bottom line loss increased to A\$140.1m after including a net extraordinary loss of A\$31.8m relating to the previously announced writedown of the Elura mine in New South Wales.

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SOUTH AFRICAN RESERVE BANK

"FINANCIAL STABILITY IN A SUBDUED ECONOMY"

Extracts from the address by Dr C. L. Stals, Governor of the South African Reserve Bank, at the seventy-second ordinary general meeting of shareholders of the Bank on 25 August 1992

Introduction

The past year has been one of frustration and disappointment for the South African economy. The encouraging signs identified a year ago of a possible economic recovery turned out to be misleading, and the widely projected upturn did not materialise.

On the contrary, during the first six months of 1992 economic conditions in general deteriorated further and the recession deepened. A number of reasons may be advanced for this disappointing performance, including:

- a much slower than expected recovery in the economies of the major industrial countries;
- the severe drought in the summer rainfall areas which caused a major decline in agricultural production;
- disappointment with the progress made in the search for a new constitutional dispensation;
- an escalation in violence, industrial actions and mass demonstrations, which not only adversely affected the physical performance of the economy, but also depressed the psychological mood;
- further erosion of investors' and consumers' confidence, which led to a continued decline in gross domestic expenditure.

It is heartening, however, that despite the depressed real economic situation, both the external and domestic financial situation improved. The South African economy still responds normally in many ways, with latent vitality and a clear-cut potential to support a substantially higher growth rate in the future. The current downward phase in the business cycle has not only led to an improvement in the overall balance of payments situation, but also to a more stable domestic financial environment, thus preparing the way for a future recovery.

Further declines in gross domestic production and expenditure

Real gross domestic product declined by 1/2 per cent in both 1990 and 1991, and at annualised rates of 2 and 2 1/2 per cent in the first and second quarters of 1992, respectively. The acceleration in the rate of decline in total production during the first half of 1992 was caused mainly by a decline in agricultural production which, it is estimated, will recede by as much as 15 per cent this year.

Total domestic expenditure likewise contracted in real terms during the past year. On a quarterly basis total expenditure fluctuated rather widely and as at the first quarter of 1992, even showed a substantial increase. This was mainly due to changes in the level of inventories. The more stable components of gross domestic expenditure, namely private consumption expenditure and gross domestic fixed investment, declined persistently up to the middle of 1992 as investors' and consumers' confidence waned. Against this trend, however, real consumption expenditure by general government, which is less susceptible to the extraneous factors behind the recessionary trends, continued to increase.

Improvement in external economic relations

One of the more encouraging developments in the economy over the past year has been the sustained favourable performance of the current account of the balance of payments. Last year was the seventh year in succession in which the total exports of goods and services exceeded total imports. The current account surplus of R2,4 billion in 1991 equaled no less than 2 1/2 per cent of gross domestic product. As was expected, however, the surplus declined slightly to a seasonally adjusted and annualised figure of R4,5 billion in the first quarter of 1992 and to R6,0 billion in the second quarter.

A significant improvement also took place on the capital account of the balance of payments, particularly in the factors underlying the inflows and outflows of capital.

As the negotiations for a new political dispensation progressed and economic sanctions were lifted, many international banks and other investors re-established normal relations with South Africa.

In the first quarter of 1992 the total net outflow of capital declined to a negligible R21 million. Subsequent political events, however, then again served as a reminder of the sensitivity of the capital account to adverse political developments, with the total net outflow increasing to R1,9 billion in the second quarter.

An important milestone was reached in January 1992 when the Reserve Bank repaid the last outstanding amount of its foreign loans raised for balance of payments purposes. Since then, the Bank's gross gold and foreign exchange reserves have reflected the Bank's net reserves position. At the end of July 1992, these reserves amounted to R11,1 billion, which contrasted sharply with the position on 30 June 1989, when the total of the Bank's net foreign reserve holdings amounted to only R0,4 billion.

The Bank still holds the opinion that a comfortable level of gold and foreign exchange holdings for South Africa should be one that is sufficient to cover at least three months' imports of goods and services. On the basis of the 1991 balance of payments statistics, this would require a minimum reserve level of at least R17 billion.

In the interest of future economic development, however, South Africa must remain open to foreign competition, and South African producers must be exposed to international pressures for improved productivity, greater efficiency and a higher quality of products which will be to the benefit of the South African consumer.

More stable domestic monetary situation

Further progress was made over the past year towards establishing the basic conditions for the achievement of greater overall financial stability:

- the rate of increase in the M3 money supply over twelve months declined from 27 per cent in December 1988 to 10,6 per cent in February 1992. Over the twelve months to June 1992, M3 increased by only 7,5 per cent;
- similarly, the corresponding rate of increase in total credit extended by the monetary sector to the private sector declined from 28 per cent in December 1988 to 9,1 per cent in June 1992.

From a monetary policy point of view it is rather disappointing that consumer price inflation remained stubbornly high, despite the significant progress made in reducing monetary support for rising prices. It must be accepted, however, that not least because of many rigidities in the market transmission mechanisms, there are unavoidable and relatively long lags between the application of market-oriented monetary instruments on the one hand, and the eventual effects they may have on consumer price inflation, on the other.

The developments over the past year in the production price index are more encouraging, and serve as a timely reminder that inflation is not only expected to be contained in consumer prices, but also in the all-goods production price index over periods of twelve months declined from a peak of 14,6 per cent in November 1990 to 6,7 per cent in January and February 1992, before rising again to 9,2 per cent in June 1992. The rate of increase in the production price index has now remained below the level of 10 per cent for eight months in succession.

In contrast to these changes in the production price index, the rate of increase in the consumer price index did not assume its downward momentum immediately after the end of the year 1991. It rose to 10,1 per cent in 1991. After having declined from 15,7 per cent in June 1989 to 13,3 per cent in July 1990, the rate of increase in the consumer price index over periods of twelve months rose to 16,8 per cent in October 1991, only then did it moderate to more reasonably sustainable levels of 15,1 per cent in 1992.

There are certain "once-only" factors that affected the consumer price index over the past year which must be taken into account in the assessment of these trends. These include:

- the introduction of value-added tax in October 1991 and its further extension to certain foodstuffs in April 1992;
- the adjustment of the weights used in the consumer basket for purposes of calculating the index; and
- the devastating drought that reduced the supply of certain foodstuffs in particular.

Inflation remained one of the major contributing factors to the continuous weakening in the structure of the South African economy. Its adverse effects on services, on the allocation of resources, on the competitiveness of South African producers in world markets and on the distribution of wealth and income, make it undesirable from both an economic and social point of view.

The Reserve Bank therefore believes that it is in the interest of all South Africans to persist in the fight against inflation, even if this does require the extension of currently painful and unpopular measures. The reduction of the inflation rate must remain a policy priority, even in the present subdued economy.

Easier liquidity conditions and lower interest rates

Money market conditions eased considerably during the past year and the easier conditions were reflected in a decline in the amount of accommodation provided to banking institutions at the Reserve Bank's discount window. The average daily level of accommodation that declined from R4,8 billion in January 1990 to R1,0 billion in April 1992.

The easier money market conditions exerted some downward pressure on money market interest rates, a development which the Reserve Bank did not counteract with any aggressive open-market or other intervention operations. Thus the rate on three-month bankers' acceptances, which had peaked at 18,60 per cent in February 1991, fell to 16,40 per cent at the end of December 1991, recovered further to 13,55 per cent at the end of July 1992 and to 12,70 per cent on 20 August 1992.

The Reserve Bank signalled its approval of the downward trend in market interest rates by reducing its Bank rate, that is the rate at which the Bank is prepared to rediscount Treasury bills for registered deposit-taking institutions, from 17 to 16 per cent on 23 March 1992 and to 15 per cent on 30 June 1992. The Bank also indicated in the lower level of interest rates mainly because it was satisfied with the progress made towards reducing the underlying inflationary pressures in the economy.

The development and protection of a sound and efficient banking system

The Reserve Bank has a vested interest in the development of a sound and efficient banking system, and also in the development of efficient financial markets. The Bank's responsibilities with regard to the function of bank supervision have over the past year involved it in various controversial issues which may well question the wisdom of the five-year old "mandate" of the Reserve Bank and the Office of the Registrar of Deposit-taking Institutions.

In the light of these developments, two fundamental questions arise. The first is whether the Reserve Bank, as central bank and monetary authority, should continue to involve itself in bank supervision. The second question is whether the Bank could be expected to provide, without any legal obligation to do so, deposit insurance by acting as financial supporter of last resort. These questions become even more relevant when it is realised that no country in the world has succeeded, or will succeed through banking and other financial regulation, in totally eradicating all financial failures of banks and other financial institutions. Regulators can only contribute to the financial soundness of institutions by promoting competent management based on fit and proper standards, proper risk assessment, and appropriate internal accounting, information and control systems.

In reappraising its position, the Reserve Bank will have to be guided by several considerations, including the following:

- the extent to which its credibility as a monetary authority could be undermined by its involvement in bank supervision;
- the likelihood that it will attract a moral obligation to provide financial assistance to a deposit-taking institution under its supervision when such an institution ends up in financial difficulty;
- given the international trend towards integration in the provision of financial services, the feasibility of regulation, not only of banking and services related to banking, but also of other financial services, by the central bank; and
- the ability of an earlier assumption that bank supervision constitutes a logical extension of a central bank's many day-to-day relationships with the banking sector.

Ominous signals from government finances

During the past year an ominous trend continued in government finance when the pace of growth in current revenue again fell behind the growth in total expenditure. The deficit before borrowing in the Budget therefore not only increased, but also absorbed a greater share of domestic saving.

During the fiscal year 1991/92, government expenditure increased by 16,1 per cent and revenue by only 7,4 per cent. The deficit before borrowing accordingly increased to R14,3 billion, or 4,7 per cent of gross domestic product. This trend continued in the first quarter of the current fiscal year when expenditure rose by 15,0 per cent compared with the first quarter of the preceding fiscal year, and expenditure receipts rose by only 5,9 per cent.

These trends in government finance were, to some extent, counter-cyclical and provided a stimulus to a way depressed economy. To the extent that they reflected "automatic stabilisers" based on cyclical declines in incomes and employment in the private sector, they were hardly cause for alarm. There is, however, always the danger that because of a ranch effect, the situation will not be easily corrected until once private sector expenditure starts moving up.

The need for economic structural adjustment

In this year's Annual Economic Report of the Reserve Bank special attention has been given to the causes of the development of structural weaknesses in the South African economy. The country is now faced not only with an urgent need for a cyclical recovery, but also with some painful structural adjustments to bring the economy back onto a path of sustainable higher growth.

South Africa has already gone some distance on the road of economic restructuring. We have already, for example:

- consolidated the foreign debt position and established a relatively sound overall balance of payments situation;
- succeeded in stabilising the growth rates in the domestic monetary aggregates in conformity with the objective of a stable macro-economic financial environment; and
- stabilised the exchange rate of the rand and eliminated some of the underlying inflationary pressures in the economy.

Much more, however, remains to be done. The financial markets, and particularly the foreign exchange market, must be liberalised further to ensure more realistic interest and exchange rates.

In the South African context the programme will also have to provide for certain special features of contemporary economic developments in this country. These include:

- the growing importance of the informal sector, and the major part it has come to play as an employer;
- the emergence of many small businesses that not only need financial support, but also management advice and appropriate technical assistance;
- the traditional "communal" approach of especially Black people, which is now carried into the business world, in the form of insurance of co-operative savings clubs such as stokvels and credit unions; and
- the major requirement of a social upliftment programme that must at the same time take account of the existing large disparities in the distribution of wealth and income.

Concluding remarks

Most South Africans share the concern which the Reserve Bank feels for the depressed real economic conditions in the country. The low end, at this stage even negative economic growth rate, aggravates the already serious unemployment problem, increases poverty and reduces the average standard of living of the people of South Africa. Neither the cause of, nor the solution to this dilemma, should be looked for in monetary policy. Attempts to stimulate the economy at this juncture by the injection of more money will again stimulate inflation and eventually erode the growth potential of the economy even further, giving rise to even more unemployment.

Economic recovery in South Africa also remains dependent on an important extent upon the re-establishment of political and social stability in the country. The unrestrained of political and social stability in South Africa business community, look for greater economic, political and social stability before they will be prepared to expand the economy's production capacity and create new employment opportunities for the growing work force of our community. The keen interest shown in the economy by many potential local and foreign investors in the early months of 1992, before the breakdown in the political negotiations, provided encouraging signs of what could be expected if South Africans can only get their political act together.

In the meantime, the Reserve Bank holds the conviction that its policy approach of maintaining overall financial stability evidenced by a low rate of increase in the money supply, positive real rates of interest and a relatively stable exchange rate of the rand is in the best interest of the South African economic situation. The Bank therefore remains committed to pursue its mission of protecting the internal and the external value of the rand.

هكذا من النقص

Finance
Lend Lease improves good MLI results
By Kevin Brown
Lend Lease Company's second quarter earnings improved, with a 10% increase in sales and a 15% increase in earnings. The company's performance was driven by strong demand for its products, particularly in the automotive and construction sectors. Management expects continued growth in the third and fourth quarters.

By Patrick Harverson in New York and Angus Foster in London
Treasury prices fell sharply at mid-session, with the 10-year note down 1/8 to 101 1/2 and the 30-year bond down 1/4 to 102 1/4. The decline was driven by a shift in market sentiment, with investors favoring higher yields. The 10-year note's yield rose to 7.875%, while the 30-year bond's yield rose to 8.125%. The market's reaction was also influenced by reports of a potential increase in the federal reserve's discount rate.

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THE VOLUNTARY liquidation of Efim's syndicated loans breakdown...
Efim has total debt of \$1.5 billion, of which about \$1.3 billion is lent by foreign banks. The breakdown of the syndicated loans is as follows:
- \$1.3 billion in syndicated loans from foreign banks, including Citicorp, Chemical Bank, Chase, and others.
- \$0.2 billion in loans from the Italian state holding company, Efim.
The syndicated loans are structured as follows:
- \$0.5 billion in 10-year loans at 10% interest.
- \$0.3 billion in 5-year loans at 8% interest.
- \$0.5 billion in 3-year loans at 6% interest.
The loans are secured by the assets of Efim's subsidiaries, including Efim's interest in the Italian state holding company.

Marketmakers widen margins on Ecu bonds

By Tracy Corrigan
A GROUP of a dozen marketmakers yesterday decided unilaterally to widen the margins quoted between bid and offer prices on Ecu bonds. The move was seen as a response to the recent volatility in the Ecu bond market, with marketmakers seeking to protect their margins. The widening of margins was particularly noticeable in the 10-year and 30-year Ecu bonds, where the bid-ask spread increased by 1/8 to 1/4 of a percent. The marketmakers' decision was met with criticism from investors, who argued that it would increase the cost of borrowing for governments and corporations. However, marketmakers defended the move, claiming that it was necessary to maintain their profitability in a competitive market.

Japanese government bonds closed little changed as the market and today's announcement of measures designed to stimulate the economy.

Japanese government bonds closed little changed as the market and today's announcement of measures designed to stimulate the economy. The announcement of measures designed to stimulate the economy, including a reduction in the discount rate and an increase in government spending, was seen as a positive development for the Japanese economy. However, the market's reaction was mixed, with some investors favoring higher yields and others favoring lower yields. The Japanese government's decision to stimulate the economy was seen as a response to the recent decline in economic growth, which has been a major concern for the Japanese government and investors.

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BENCHMARK GOVERNMENT BONDS									
Coupon	Rate	Price	Change	Yield	Week	Month	Year	Year	Year
Australia	10.000	102.00	+0.05	8.75	8.39	8.53			
Belgium	8.750	102.00	+0.05	8.75	8.39	8.53			
Canada	8.500	102.00	+0.05	8.75	8.39	8.53			
Denmark	8.000	102.00	+0.05	8.75	8.39	8.53			
France	8.000	102.00	+0.05	8.75	8.39	8.53			
Germany	8.000	102.00	+0.05	8.75	8.39	8.53			
Italy	8.000	102.00	+0.05	8.75	8.39	8.53			
Japan	8.000	102.00	+0.05	8.75	8.39	8.53			
Netherlands	8.000	102.00	+0.05	8.75	8.39	8.53			
Spain	8.000	102.00	+0.05	8.75	8.39	8.53			
UK	8.000	102.00	+0.05	8.75	8.39	8.53			
US Treasury	8.000	102.00	+0.05	8.75	8.39	8.53			
ECU (French Govt)	8.000	102.00	+0.05	8.75	8.39	8.53			

COMPANY NEWS: UK

CSI seeks time to refocus after diving into red

By Peggy Hollinger

MR TOM Long, chairman of the highly-gearred Cannon Street Investments, yesterday pleaded for time to restore the troubled industrial holding company's balance sheet and business.

"We need time and we need patience," said the former BAT director who became Cannon's chairman in March. "The group... needs much tighter focusing and you do not do that in five minutes."

The plea came as Cannon Street unveiled a sharp drop into the red at the operating level, with interim losses of £2.1m compared with a profit of £9.7m last time. The dividend is omitted (3.3p).

Mr Long blamed the severity of recession for the sharp turn-around. The hardest hit businesses were building services and part of the electronics division.

The pre-tax loss of £2.1m for the six months to June 30, against a profit of £2.8m, had been caused by new account-

ing standards on goodwill. The charge against profits for business sold in the first half came to £23.4m. This led to losses per share of 21.8p, compared with earnings of 3.4p.

Cannon Street took a net exceptional gain of £7.9m for profit on the disposals.

Turnover fell by £14.5m to £127m. Mr Long said the three businesses which had been sold accounted for some £19m in sales. Disposals had also helped to reduce interest payments, which fell from £6.2m to £3.8m. Net debt dropped from £92.4m at the year-end to £55.3m. Gearing remained "too high" at almost 200 per cent.

Turnover of on-going operations was slightly ahead, Mr Long said. However, the chairman was cautious about the immediate outlook: "The rest of the group is keeping its head above the water, but it is struggling."

Mr Long, said Cannon intended to make further disposals.

Cannon's shares held steady at 44p.

GA says hurricane claims could reach 'up to \$40m'

By Robert Peston

GENERAL ACCIDENT, the leading British insurer, said yesterday that insurance claims arising from Hurricane Andrew could "cost it as much as \$40m."

Lord Airlie, the chairman who was addressing an extraordinary shareholders' meeting, said: "On the basis of emerging information, General Accident advise that the losses to their US operations arising from Hurricane Andrew, which struck Florida and Louisiana, might in total reach the level at which external catastrophe reinsurance covers would become exposed."

What this means is that GA is able to pass on its losses to external reinsurers once a certain claims threshold has been breached.

It believes this threshold may be breached in respect of

Hurricane Andrew claims. However, if this happens, it would suffer a post-tax loss of \$40m (£20m).

Mr Nelson Robertson, GA's chief general manager, explained later that the company has a 1/4 per cent share of the Florida market. It has a branch in Orlando.

The company's loss adjusters are in the area trying to estimate the losses.

Their guess is that losses to be faced by all insurers may total more than \$8bn.

Not all damaged property in the area is insured and there have been estimates that the storm caused more than \$20bn of damage.

However, other insurers have estimated that losses could be as low as \$1bn in total.

Mr Robertson said: "No one knows at this time what the exact loss is."

Inspectorate sold to managers by Aida

By Roland Rudd

INSPECTORATE, one of the largest international inspection companies, has been sold to its managers by its parent Aida, the Swiss employment and services group.

Electra, the investment management group which helped orchestrate the buy-out, has taken a large slice of the equity.

Mr Nigel McConnell, director of Electra, said Aida had requested that the price paid remained confidential, although he added that it was a "multi-million pound deal."

An announcement is expected from Aida shortly about developments in its own business.

Inspectorate, established in 1927, operates in more than 75 countries.

The bulk of its sales come from North America, the UK, continental Europe, the Middle East and Far East. Turnover last year was about £60m.

Three years ago there was an MBO of most of Inspectorate's non-UK inspection business, which included its buildings and travel agencies.

At the same time Brompton Holdings, the inspection group, bought the company's non-destructive testing and engineering inspection.

Mr Jeff Luesley, joint managing director of Inspectorate, said the acquisition positioned the company to capitalise on opportunities.

Plateau clarifies suspension request

Plateau Mining said that it had requested suspension of its shares on August 6 because it was unable to pay the deferred consideration for Quay Minerals. It is now selling Quay to Glaxo, controlled by Mr James Clark and Mr Owen Eastwood, two of the original vendors.

Plateau will then have net assets of less than half the nominal value of its called up share capital and will call an extraordinary meeting.

For the six months to March 31, Plateau's pre-tax losses were £10.5m (£53,000 profits), after £9.9m mineral property and related assets provisions.

End of the road or separate route to recovery

As Cowie's bid for Henlys nears its close, Maggie Urry looks at how it progressed

BY LUNCHTIME next Tuesday the fate of Henlys Group, the motor trader and bus and coach builder, will have been decided. It is facing a £32.1m hostile bid from T Cowie, the Sunderland-based motor dealer.

Last night Cowie could claim support from holders of 28.4 per cent of Henlys shares, and it looked a closer run fight than it had a week ago.

At 1.30pm yesterday Cowie owned or had acceptance in respect of 21.4 per cent of Henlys shares. Of these, 3 per cent were shares Cowie had bought in the market. Another 7 per cent were held by Mr David Matthews, the former chairman and chief executive of Henlys who left last November before the group announced a £6.8m loss. His associate, Mr Peter Cundill, with 4.9 per cent, is also thought to have accepted.

Yesterday afternoon Cowie's brokers again went into the market and took its stake to 9.9 per cent.

Following an increase in the terms two weeks ago, Cowie's bid of 7 shares for 10 Henlys, or 1 share plus 40p cash for two Henlys, is worth 84.7p or 80.5p with Cowie's shares closing yesterday at 121p, up 1p. Henlys closed at 60p, up 1p.

Throughout the offer period, Cowie shares have been falling, reducing the value of the bid. Since the increase Henlys shares have stood below the implied value. Some Henlys

holders have said that a larger cash element would have been more persuasive.

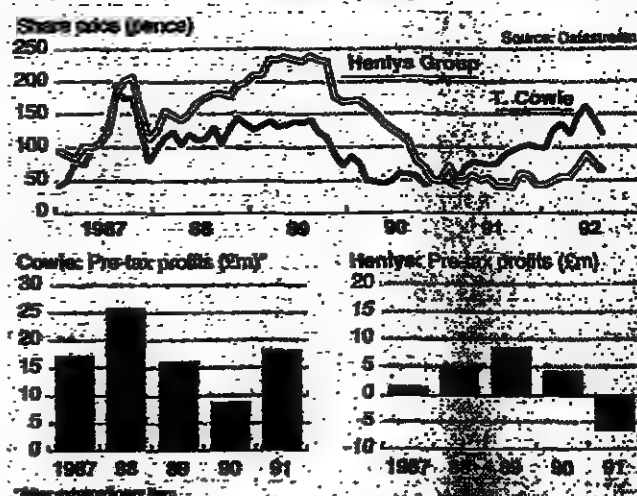
The conduct of the bid has also worked against Cowie. It employed Noble Grossart, the Edinburgh merchant bank which is not often seen in the cut and thrust of hostile bids. Cowie has been forced to make a series of clarifications to remarks made and documents published.

Further, in meetings with key institutional investors, Mr Robert Wood, chief executive of Henlys, seems to have come across well. Many institutions have an inclination to side with existing management, so long as it seems competent.

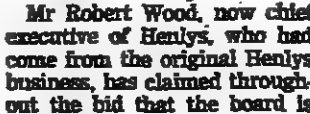
The bid came at a bad time for Henlys. On June 24 it had warned that problems in its coach building business would cause an interim loss, an announcement which sliced 22p off its share price that day, cutting it to 55p. Five days later Cowie launched its bid, then worth 73p a share.

Henlys current configuration is the result of a takeover in 1989 by Plaxton, a bus and coach group, of the original Henlys, a motor trader. Although Plaxton was the buyer, the name was changed back to Henlys earlier this year. While the motor side has remained profitable, the bus and coach business plunged into losses. The group lost £5.8m pre-tax in 1991. Mr Matthews left in November, following two other directors, including the finance director, who

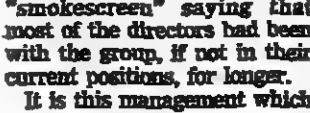
T. Cowie and Henlys Group



Cowie's Pre-tax profits (£m)



Henlys' Pre-tax profits (£m)



left earlier in the year.

Mr Robert Wood, now chief executive of Henlys, who had come from the original Henlys business, has claimed throughout the bid that the board is essentially new. Cowie has repeatedly called this a "smokescreen" saying that most of the directors had been with the group, if not in their current positions, for longer.

It is this management which is attempting to tackle the severe overcapacity in the coach and bus building business. Last year it cut its manufacturing units from four to one, but even so there was not enough business to fill the remaining plant in Scarborough, North Yorkshire.

Ian MacGregor ousted as HunterPrint chairman

By Jane Fuller

SIR IAN MacGregor has been ousted as chairman of HunterPrint, the loss-making specialist printer.

It is understood that there had been institutional pressure for him to go. The issue had been raised as the group sought to raise fresh finance. In March, borrowings stood at £30m on net assets of £2.5m.

Sir Ian was paid £336,000 last year. He was on a two-year contract running until December. He held more than 5m shares, bought at 10p each when he came in with new management. The accompanying rescue share issue raised £13.5m. The share price closed at 46p yesterday.

Sir Ian is being replaced at HunterPrint by Sir John Wheeler, a non-executive director, who was described by the company yesterday as an interim chairman.

Sir John, MP for Westminster North and chairman of the Commons home affairs committee, was reported to have said of Sir Ian yesterday: "He is nearly 80 and has had a heart by-pass operation. I don't think I need go any further than that."

However, Sir Ian's health did not seem to be in question at his Argyle home yesterday, which he had just left to fly to Geneva. His recent record of chairmanship of companies in need of remediation has been mixed. Mountleigh, the property company, collapsed in May with debts of £590m. Holmes Protection, the US-based security company, has recently achieved its restructuring.

Interest costs hit Monument

Higher interest payments and a provision for Australian taxes reduced net income from £2.65m to £1.9m at Monument Oil and Gas.

Sales of the independent oil and gas exploration company in the first half of 1992 rose 25 per cent from £16.3m to £20.4m, and the contribution from the Harrier oil field in Australia helped lift operating profit by 36 per cent to £2.3m (£1.67m).

Interest paid was £150,000, against £119,700 received last time. Overseas tax costs of £200,000 (£190,000).

Under its strategy of growing oil and gas properties which are no longer making significant contributions, the next step is disposing of its interest in the Bushfield field in Brabant Petroleum, subject to government approval. The consideration is £3.52m cash.

U.S. \$300,000,000



Woodside Financial Services Ltd.

Guaranteed Floating Rate Notes due February 1997

Unconditionally Guaranteed by The Industrial Bank of Japan, Ltd.

In accordance with the Terms and Conditions of the Notes, notice is hereby given that for the interest period from August 28, 1992 to November 30, 1992 the Notes will carry an interest rate of 5% per annum. The amount payable on November 30, 1992 will be U.S. \$3,427.08 and U.S. \$137.08 respectively for Notes in denominations of U.S. \$250,000 and U.S. \$10,000.

By: The Chase Manhattan Bank, N.A.
London, Agent Bank



New Zealand

£200,000,000 Floating Rate Notes 1997

In accordance with the provisions of the Notes, notice is hereby given that, for the three month period 26th August, 1992 to 26th November, 1992 the Notes will bear interest at the rate of 10% per cent. per annum. Coupon No. 29 will therefore be payable on 26th November, 1992 at £1,366.30 per coupon from Notes of £50,000 nominal and £136.63 per coupon from Notes of £5,000 nominal.

S.G. Warburg & Co. Ltd.

Agent Bank

Residential Property Securities No. 1 PLC

£200,000,000

Mortgage Backed Floating Rate Notes 2018
The rate of interest for the three month period 26th August, 1992 to 26th November, 1992 has been fixed at £1.13125 per cent. per annum. Coupon No. 18 will therefore be payable on 26th November, 1992 at £2,798.02 per coupon.

Aggregate interest charging balances of Mortgages redeemed during the previous interest period: £7,954,443.73.
Aggregate interest charging balances of Mortgages redeemed as at 26th August, 1992: £195,884,811.51.

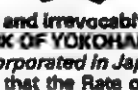
The aggregate principal amount of Notes outstanding as at 26th August, 1992: £117,200,000.
S.G. Warburg & Co. Ltd.
Agent Bank

YOKOHAMA ASIA LIMITED

(Incorporated in Hong Kong)

U.S. \$100,000,000

GUARANTEED FLOATING RATE NOTES DUE 1997



Unconditionally and irrevocably guaranteed by THE BANK OF YOKOHAMA, LTD.

(Incorporated in Japan)

Notice is hereby given that the Rate of Interest for the initial interest period has been fixed at 3.75% per annum and that the interest payable on the relevant Interest Payment Date November 30, 1992 against Coupon No. 28 in respect of U.S. \$10,000 nominal of the Notes will be U.S. \$97.32 and in respect of U.S. \$250,000 nominal of the Notes will be U.S. \$2,447.52.

August 28, 1992, London
By: Citibank, N.A. (Issuer Services), Agent Bank



Bank of Tokyo (Curacao) Holding N.V.

U.S. \$100,000,000

GUARANTEED FLOATING RATE NOTES DUE 1997



Payment of the principal of, and interest on, the Notes is unconditionally and irrevocably guaranteed by

The Bank of Tokyo, Ltd.

(Incorporated in Japan)

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the initial interest period has been fixed at 3.75% per annum and that the interest payable on the relevant Interest Payment Date November 30, 1992 against Coupon No. 28 in respect of U.S. \$10,000 nominal of the Notes will be U.S. \$97.32 and in respect of U.S. \$250,000 nominal of the Notes will be U.S. \$2,447.52.

August 28, 1992, London
By: Citibank, N.A. (Issuer Services), Agent Bank



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FT SURVEYS

CHEMICAL NEW YORK CORP

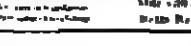
U.S. \$300,000,000 FLOATING RATE SUBORDINATED CAPITAL

NOTES DUE 1997

In accordance with the provisions of the Notes, notice is hereby given that for the interest period from 28 August 1992 to 30 November 1992 the Notes will carry an interest rate of 10% per annum. The interest payable on the relevant Interest Payment Date, 30 November 1992, against coupon no. 18 will be U.S. \$465.42 per U.S. \$50,000 note.

CHEMICAL BANK

Agent Bank



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IN FUTURES



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U.S. \$300,000,000

Republic of Italy Euro

Repurchased Assets Limited

F.E.R.A.R.I. II

Floating Euro-dollar Repurchased

Assets of the Republic of Italy

due 1997

For the period from August 28, 1992 to November 30, 1992 the Notes will carry an interest rate of 3.75% per annum with an interest amount of U.S. \$97.32 per U.S. \$100,000 Note.

The relevant interest payment date will be November 30, 1992.
Agent Bank: Banque Paribas Luxembourg S.A. Luxembourg

U.S. \$300,000,000

The Tokai Bank, Limited

Subordinated Floating Rate

Notes Due 2000

Interest Period

Interest Rate

Interest Amount

U.S. \$100,000,000

U.S. \$100,000,000

U.S. \$100,000,000

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U.S. \$100,000,000

COMPANY NEWS: UK

NEWS DIGEST

Dissident shareholders accuse board of hijacking meeting
Struggle for control at Simpsons

By Tim Burt

A BITTER struggle broke out yesterday for control of Simpsons of Cornhill, owner of two of the City's most famous restaurants, following an extraordinary meeting of shareholders.

A group of dissident shareholders led by Mr Robert Klapp, former chairman of Select Appointments, announced plans to oust the Nottingham-based management team after the board decided a resolution calling for the appointment of two new directors was ineligible.

Voting on a second resolution calling for the removal of Mr Alan Crompton-Batt, an

existing director who supports the rebel group, was adjourned on a technicality.

Mr Klapp, who claims to command the support of 40 per cent of the shareholders, said the meeting had been "hijacked" and warned that a second RGM would be called to remove the board.

The dispute centres on allegations that the management team led by Mr Roy Ackerman, former deputy chairman of the Kennedy Brooks restaurant chain, and Mr Paul Reece, former director of Midsummer Leisure, had embarked on an over-ambitious strategy which threatened the future of the group's leading assets - the Jamaica Inn and Simpsons.

Mr Ackerman, however, dismissed the dissidents' claims and said the RGM had been "properly conducted". An informal poll held at the meeting had shown more than 90 per cent of the shareholders taking part opposed Mr Klapp's resolution, he added.

The company's £2m flotation last year provided the funds to buy Simpsons and the Jamaica Inn. It has since opened the Dell'Ugo bistro in Soho and the Patis restaurant in west London.

Mr Reece, Simpsons managing director, said turnover had increased from £500,000 in the first half of last year to £583,000 a week during 1992.

The rebel shareholders,

meanwhile, claimed the company had spent excessively on its new restaurants. Mr Klapp also claimed the group was looking for a new acquisition to mask the full costs of refurbishing its West End sites when its next set of accounts are published.

His allegations were rejected angrily by the Simpsons board. "We are being prudent," said Mr Ackerman. "We know the restaurant trade better than Klapp, and we will buy new sites at the right price and the right time."

Both groups are confident of victory at a second EGM.

Simpsons' shares, placed at 50p in last year's flotation, closed down 3p at 36p.

Reduced costs help Church to £0.24m

By Peter Pearson

LOWER INTEREST charges and sharply reduced exceptional costs helped Church, the shoe maker and retailer, lift profits in the first half of 1992.

The Northampton-based group, which has 162 shops worldwide, made £244,000 pre-tax, against £14,000 last time, on turnover down slightly to £29.9m (£31m).

Operating profits declined to £820,000 (£962,000), because, said Mr John Church, chairman and joint managing director, trading conditions were still "extremely challenging".

This resulted in small losses at A Jones, the UK retailing company, in the Canadian and French operations and in Hong Kong, where the company has a 25 per cent stake in a shoe retailer. The remaining group companies were profitable, including the 17-shop US operation, previously in loss.

However, because of lower rates, interest charges shrank to £549,000 (£703,000). Exceptional items, relating to redundancy and other rationalisation costs, fell to £27,000 (£185,000).

Mr Church said the group was "cautious on retail expansion", though in March it set up a Japanese joint venture with Otsuka Shoe, Church's distributor, and Stock & Zeno, a men's clothing manufacturer, to promote the Church name on non-footwear products. Church has a majority stake. So far, two licence agreements have been signed, the main one for menswear and the other for socks.

Church has been exporting its shoes to Japan, its fourth largest market, for almost 30 years, selling more than 10,000 pairs a year.

Earnings grew to 1.9p (0.4p) per share and the interim dividend is maintained at 3p, again uncovered.

A Jones, which has 100 UK shops, reduced pre-tax losses to £26,000 (£117,000) on turnover of £13.7m (£13m). Interest payable was £101,000 (£106,000). Exceptional costs fell to the group level of £27,000 (£108,000). Losses per share were 0.3p (£5.7p).

Acquisition lifts Mayflower

MAYFLOWER, the Surrey-based specialist engineer, reported profits markedly ahead from £12,000 to £158m pre-tax in the six months to June 26. Turnover jumped from £5.62m to £32.8m.

The outcome partly reflected the inclusion of Motor Panels, acquired from the administrators of CH Industrial last September.

The operation, based at Coventry and Wigan in the UK and Ohio and North Carolina in the

ginal rise - from 254.4p to 260.3p per share - over the 12 months to June 30.

Available revenue amounted to £8.83m, up from £8.59m, and equivalent to earnings per share of 10.64p (10.37p) or 10.54p (10.25p) assuming full conversion of the B capital.

A recommended final dividend of 4p brings the total to 10.6p (9.9p) for 1991-92.

The directors also forecast a final of not less than 4p for the current year, which would bring the total to 10.75p.

value per share stood at 91.2p against 89p a year earlier.

Legal & General's US offshoot ahead

Legal & General America, the US arm of Legal & General Group, the insurance company, reported pre-tax profits for the six months to June 30 of \$81m (£18.3m) compared with \$3.9m (£0.9m) in the same period last year.

The result was struck after substantial realised investment gains of \$23.1m (\$3.8m) following the restructuring of the investment portfolios of Banner Life and William Penn.

Net assets down at Scottish Eastern

Scottish Eastern Investment Trust had net assets, after deducting prior charges at par, of 62.8p per share at July 31, down from 70.7p 12 months earlier and 69.5p at the January year-end.

The trust reported attributable revenue of £5.51m (£4.51m) for the six months to end-July, equivalent to earnings of 0.87p (0.71p) per share.

The interim dividend goes up from 0.46p to 0.5p.

New Guernsey lower with £12,623

New Guernsey Securities Trust, an investment holding company, suffered a fall in pre-tax profits from £19,759 to £12,623 in the six months to June 30.

Net profits amounted to £9,817 (£15,366) for earnings per share of 0.5p (0.8p). Net asset

Clondalkin up 10% despite weak dollar

In spite of the weak dollar, Clondalkin Group, the Dublin-based printing and packaging company, lifted pre-tax profits 10 per cent to £66.17m (£5.8m) in the half year to June 30.

Sales fell from £255.5m to £274.8m. Earnings worked through at 11.01p (10.47p) and the interim dividend is stepped up to 1.834p (1.689p).

Scottish Inv Trust asset value declines

Net asset value per share of the Scottish Investment Trust stood at 190.6p at the end of the nine months to July 31.

This represented an 8.5 per cent fall from the 208.3p reported at the interim stage and a 6.5 per cent decline from the 208.5p of a year earlier.

Hambro Countrywide losses increase to £4.64m

By David Baruch

HAMBRO Countrywide, the estate agency chain and financial services group, incurred a pre-tax loss of £4.64m in the six months to June 30.

The deficit represented an increase of 9 per cent on last time's £4.25m.

Turnover amounted to £45.3m, down from £46.6m last time.

Mr Christopher Sporborg, chairman, said that turnover was likely to remain unsatisfactory until confidence returned to the economy, and especially to the housing market.

He warned that a mild market recovery following the general election had been brief

and that new business was now dropping because of the end of stamp duty exemption and the continuing recession.

There was a slight reduction in the number of properties sold by the agency chain and the average house value fell by 7.6 per cent to £65,000.

The chain arranged 7,372 mortgages with a total value of £339m on total sales of 19,920 properties, and sold 9,045 life assurance policies.

Profits from life assurance activities rose from £2.99m to £4.43m.

Losses per share were 1.41p (1.3p).

As in 1991, a nominal interim dividend of 0.05p is declared to preserve the company's trustee status.

Jupiter withdraws plans for CST reconstruction

By Philip Cogges, Personal Finance Editor

JUPITER TYNDALL has withdrawn plans for the reconstruction of CST Emerging Asia Trust.

The change of plan is the latest in a series of aborted proposals by Jupiter, which has been battling to keep control of several trusts in its stable.

The plan would have attempted to eliminate the discount through the issue of zero coupon convertible loan stock to replace the bulk of the trust's ordinary shares.

No-one at Jupiter was available yesterday to explain why the proposals were withdrawn. Recently Jupiter withdrew

reconstruction plans for Pacific Horizon, another trust in its stable, which it once planned to merge with CST Emerging Asia.

The boards of Pacific Horizon and European Project Investment Trust have now appointed new investment managers to replace Jupiter.

Jupiter Tyndall has built up a 29.9 per cent stake in the shares of CST Emerging Asia.

Hospital Corp sale

Hospital Corporation International Group has exchanged contracts to dispose of its 49-bed West Peaks hospital in Macclesfield, Cheshire, to Macclesfield Health in a deal worth £2.8m.

Bid for Galerias placed with Mountleigh receiver

By Tom Burns in Madrid

A BID to acquire Galerias Pedidos, the loss-making Spanish department store chain, has been received by Peat Marwick, receiver of Mountleigh, the UK property group which owns Galerias.

The bid, understood to be the first firm one to be made for Galerias, has been launched jointly by Parques Urbanos, a company that has been associated with Galerias in the past in the promotion of large shopping centres in Madrid and elsewhere, and by Zana, a profitable textile manufacturer and distributor with more than 200 retail outlets in Spain.

Mr Carlos Balabron, chairman of Aser Invest, Madrid consultants advising the bid, said yesterday that the offer was accepted. "Galerias cannot remain in its present impasse."

Mr Balabron, who did not disclose details of the offer, said however that it was subject to an audit on Galerias, ordered by the receivers, which is being completed by Price Waterhouse.

Peat Marwick is interested in a quick sale of Galerias. The chain of 29 large retail stores, with debts of some £200m (£111m), is expected to post substantial operating losses this year. It is estimated to represent as much as 50 per cent of

Mountleigh's assets.

Mountleigh went into receivership in May with debts of £590m after it proved unable to meet obligations to bondholders. Its problems were blamed on difficulties in selling UK property.

Mountleigh's creditors were told last week not to expect a swift realisation of assets. The receiver said it was impossible to estimate how much the assets would fetch, because the affairs of companies within the group were closely interlinked. Unsecured creditors had little hope of any payment.

Mountleigh's complex structure includes 80 companies incorporated overseas.

Tough haulage rates restrict Seaford

Intense competition in its transport division restricted the reduction in pre-tax losses at Seaford, in the first half to June 30.

The Dublin-based company said activity had increased in the warehousing and transport division and a careful disposal programme had cut property division borrowings. However, poor economic conditions and competitive haulage rates had restricted the reduction in pre-tax losses to £1.8m (£1.58m) or 2.2p (2.4p) per share.

Turnover rose by 8 per cent from £10.9m to £11.4m.

The property disposal programme had achieved sales of more than 18m, with further sales expected soon.

Murray Income net assets edge ahead

The net asset value of Murray Income Trust showed a mar-

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
Amicable Smaller Unit	1.7	Oct 8	2.25	-	7.5
Amoco	1.04	Dec 31	2.25	-	4.04
British Airways	1.04	Oct 7	3.3	-	3.3
Cannon St Inv	1.0	Oct 9	1.5	-	3.0
Church	3	Oct 23	3	-	12.5
Clondalkin	1.834	Oct 9	1.898	-	4.381
County Swallow	1.075	Sept 20	0.05	-	0.05
Hambro Cwide	0.05	Oct 26	0.05	-	0.05
Mayflower	0.4	Nov 20	0.5	-	0.5
Murray Income	4	Oct 21	9.5	10.5	9.9
Primrose	2.5	Oct 8	2.5	4.5	4.5
Scottish Eastern	0.5	Oct 12	0.46	-	1.42
Slough Estates	3.1	Oct 14	4.4	-	11.55
Slough Estates	6	March	7.15	8.1	11.55
Weir	3.5	Nov 13	3.1	-	10.5

Dividends shown pence per share net except where otherwise stated. Excludes 0.5p special dividend. *Third quarter payment.

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US\$1,000,000,000 Floating rate notes due 1996

In accordance with the provisions of the notes, notice is hereby given that for the interest period from 28 August, 1992 to 26 February, 1993 the rate of interest on the notes will be 3.40625% per annum. The interest payable on the relevant interest payment date 26 February, 1993 will be US\$172.20 per US\$10,000 note and US\$4305.12 per US\$250,000 note.

Agent: Morgan Guaranty Trust Company

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Neste Oy

US\$100,000,000 Floating rate notes due 1994

In accordance with the provisions of the notes, notice is hereby given that for the interest period from 28 August, 1992 to 26 February, 1993 the rate of interest on the notes will be 5.25% per annum. The interest payable on the 26 February, 1993 will be US\$355.42 for each US\$10,000 principal amount of the notes.

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TSB Hill Samuel Bank Holding Company Plc (Formerly Hill Samuel Group plc)

US\$30,000,000 Floating Rate Notes due 1996

In accordance with the provisions of the Notes notice is hereby given that for the interest period from 28 August, 1992 to 26 February, 1993 the notes will carry an interest rate of 5.25% per annum and the interest payable on the relevant interest payment date 26 February, 1993 against coupon No. 18 will be US\$265.42

Agent: Morgan Guaranty Trust Company

JPMorgan

First Bank System, Inc.

US\$200,000,000 Subordinated Floating Rate Notes due 2010

Notice is hereby given that for the interest period 28 August, 1992 to 30 November, 1992 the notes will carry an interest rate of 5.25% per annum and that the interest payable on the relevant interest payment date 30 November, 1992 will amount to US\$137.08 per US\$10,000 note and US\$3427.08 per US\$250,000 note.

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U.S. \$300,000,000

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Interest Period 28th August 1992 to 26th February 1993

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US\$200,000,000 Undated primary capital floating rate notes

For the interest period 28 August, 1992 to 26 February, 1993 the rate of interest will be 4% per annum.

The interest payable on 26 February, 1993 will be US\$202.22 per US\$10,000 note and US\$5055.56 per US\$250,000 note.

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U.S. \$500,000,000

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By The Chase Manhattan Bank, N.Y. London, Agent Bank

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ACCOUNTANCY COLUMN

Seeing may not be believing on pension costs

Norma Cohen explains why there is unease about the treatment of fund surpluses under current rules

THE Great Illusion is the title given to the chapter on pension fund accounting in Accounting for Growth, the controversial book by Terry Smith, the suspended head of research at UBS Phillips & Drew.

While more publicity-shy members of both the accountancy and pensions professions would choose a more moderate description of current rules, the balance of their convictions lie with Mr Smith's conclusion.

The current rule on accounting for pension costs, known as SSAP 24, has been singled out for a review by the Accounting Standards Board. And while the ASB says no revision is likely within the next year, key aspects of SSAP are troubling.

The Pensions Research Accountants Group (PRAG), an ad hoc committee of leading actuaries and accountants, in a report submitted to the ASB last week concluded that in key respects, the standard is unsatisfactory. It says: "The standard in its current form allows employers a great deal of flexibility to adjust results on a short-term basis, substantially impairing an informed reader's ability to make judgments about annual pension costs and in practice prevents any general attempt to compare one employer's pension cost figures with another's by adjusting one or both to a common calculation basis."

Similarly, the Institute of Chartered Accountants in England and Wales, in a paper it prepared for the ASB, concluded that to compensate for the flexibility it offers to preparers of accounts, a much greater degree of disclosure is required. "The time for a

period of experimentation with SSAP 24 is now over and revision is necessary," the ICAEW said.

"It is a better method than what was in use before but it is still unsatisfactory," said Mr Thomas Crowter of KPMG Actuarial Services, noting that prior to 1988 when the rule took effect, no standard existed. "Most analysts are pretty financially sophisticated people and even they often can't understand pension fund expense."

Among the complaints about SSAP 24 is the scope it gives companies to calculate the value of pension fund surpluses or deficits. Some 92 per cent of respondents to a recent survey from the Society of Pension Consultants said they were in that category.

Indeed, Mr Crowter argues, there is reason to question whether companies should be entitled to show pension fund surpluses on their balance sheets as assets at all. "Do the assets really belong to the employer and are they at his disposal?" he asked.

This question lies at the heart of the current debate over pension fund law. Currently, the government has commissioned an independent panel to study pension reform in the aftermath of the Maxwell pension scandal and the ownership and control of assets is at the top of the agenda.

While the UK courts have implied in recent decisions that scheme members should have a say in the disposal of scheme surpluses, that right has yet to be enshrined in law.

But aside from this question, which must await legislation for a suitable answer, other pressing issues remain. In the calculation of pension

expense, there are several standards currently in use, the choice of any one of which can change the picture significantly. But because most companies do not include enough information in their accounts about their methods of calculation, the actual figure shown in the profit and loss account means little.

Part of the difficulty in assessing pension expense, even without the existence of either a surplus or a deficit, is that it depends on a variety of assumptions used by actuaries. The

While the UK courts have implied in recent decisions that pension scheme members should have a say in the disposal of surpluses, that right has yet to be enshrined in law

key variables are assumptions about general increases in employee average earnings, dividend growth on investment portfolio and the assumed growth rate of the retail price index. Also, discretionary increases in pension benefits, frequently awarded annually at the judgment of trustees, will have an effect on cost assumptions.

By altering any of these key variables, an actuary may increase or decrease the amount of contribution needed from the employer or, indeed, make a surplus arise or disappear. The SPC survey, for instance, found that only 50 per cent of respondents allowed for discretionary increases in

their SSAP 24 calculation of cost. "If the remaining 50 per cent of respondents are required by the Social Security Act of 1990 to convert these discretionary practices into guarantees, then large increases in pension cost may result," the survey concluded.

Thus, some pensions experts argue, SSAP 24 should first require disclosure of the underlying actuarial assumptions along with the impact of discretionary increases. "This is being done but in a haphazard way by auditors," said Mr Andrew Wilson, partner in charge of research at actuarial consultants R Watson.

However, some experts in pensions accountancy believe that improving disclosure will not solve the shortcomings of SSAP 24. Mr Ken Wild, partner at Touche Ross and chairman of the ICAEW committee which prepared the review of the standard, warned that so much information would have to be provided to make the information meaningful that "you will end up with information overload". Instead, he suggested, the ASB may wish to concentrate on limiting flexibility in the rule and insist expenses be calculated in specific ways.

The greatest debate lies over the method used to recognise the benefits of pension surpluses. The SPC survey found that when SSAP 24 came into effect in 1988, 30 per cent of respondents immediately put the surplus on the balance sheet as a prepayment. However, the remainder amortised the benefits over time as a variation to the ongoing cost. And therein lies the rub.

The most popular method has been known as the straight line method, which allocates spreading the surplus over, say, 15 years and increasing the amount amortised in each successive year by a percentage equal to the average salary increase. Such a method will give accounts the greatest nominal benefits in the out-years.

More controversial is the use of the so-called straight line method, preferred by 27 per cent of respondents to the SPC survey. This recognises presumed investment income from the surplus over its life, in addition to amortising the surplus itself, and will give the company very large up-front benefits which reduce as time goes on. Last, there is the level monetary amount, a hybrid of both approaches.

Meanwhile, there is a debate about how to spread pension expense over the average working life of employees. One method, that favoured by PRAG, is known as the projected unit method. This requires the company to set a contribution rate which includes assumptions of salary increases over the average working life - typically 15 years. Mr Wilson argues that this method can produce the most accurate picture of cost unless there are significant changes in the demographic make-up of the workforce.

The alternative method is known as the attained age, and calculates the like cost of providing benefits to employees once they have reached the age at which they become eligible. However, Mr Wilson notes, such a method is inappropriate for a scheme which has been wound up or which is still accepting new members.

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COMMODITIES AND AGRICULTURE

End of US ban promises LME options boost

By Kenneth Gooding, Mining Correspondent

THE LONDON Metal Exchange expects a substantial increase in business from the US following the removal of a ban on the sale of its options there.

The exchange has been working for two years to have the ban removed by the Commodity Futures Trading Commission and Mr David King, the LME's chief executive, said yesterday: "We are obviously very pleased. We felt that US users of the LME were at a disadvantage compared with their European and Japanese competitors who could use options."

This success comes at a time when the LME, the world's biggest terminal market for physical metal, has been experiencing phenomenal growth in trading. The accounts show that last year the exchange handled back to members £1.2m previously collected in levies and fees.

Turnover jumped by 32 per cent in 1990, by another 27 per cent last year and in the first six months of 1992 soared by a further 39 per cent.

US clients have been contributing about 15 per cent of the exchange's turnover but this has been growing fast since LME-authorised metal warehouses were opened in the States last year.

Mr King said there was a 30-day gap before the CFTC's decision about LME options became effective to give time for any objections to be raised.

The LME was taking legal advice on what its members might or might not do when marketing options in the US, where regulations were very tight, he added. This would be

passed on to members after the 30 days were up.

Mr King suggested that the sharp rise in turnover showed exchange's own marketing efforts, "making itself more user-friendly", had been paying off.

"Also the world is becoming more financially aware. Companies first started to hedge their foreign currency exposure and now they are looking to hedge other aspects of their business."

Options trading on the LME has been expanding even faster than its traditional futures business - it rose 149 per cent in the first half of this year. Mr King said: "Many people were wary about options but more and more they have come to realise that these are a valid way to hedge risk, lock in prices and make better use of the market."

The LME's accounts, recently filed, show that its income rose from £4.26m in 1990 to £4.54m last year and that pre-tax profits increased from £1.07m to £1.41m. Retained profits at the year-end had increased from £1.63m to £2.5m.

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Oppenheimer to visit Moscow as diamond shake-up looms

By Kenneth Gooding, Mining Correspondent

MR HARRY OPPENHEIMER, whose family effectively controls the Anglo American Corporation of South Africa and De Beers, is to visit Russia next week at a time when the republic is considering a big shake-up in its diamond industry.

His visit also comes at a time when the beleaguered diamond industry is rife with rumours about unofficial exports from Russia contributing to the present market turmoil which might force De Beers to cut its dividend payment this year.

Some industry observers suggest that the presence in Russia of Mr Oppenheimer, who will be 84 in October, will be timely. "It appears to be another sign that the former De Beers chairman is taking a more

active role in guiding the company through its current difficulties," says the Diamantaire newsletter today.

De Beers said yesterday that the visit by Mr Oppenheimer, accompanied by his son Nicholas, was a private one originally arranged for August last year but postponed because of the coup d'état in the former Soviet Union.

However, it admitted that Mr Oppenheimer would be meeting senior officials from the Russian diamond industry during his stay because he would be going to some of the big mines in Siberia and would be present when De Beers held the formal opening of its Moscow office on September 8.

De Beers' London-based Central Selling Organisation, which controls about 90 per cent of world trade in rough (uncut) diamonds, in 1990

signed a \$5m, five-year sales contract with the former Soviet Union and at the same time advanced a loan of \$1m. Diamond stocks were moved from Moscow to London as collateral for the loan.

After the break-up of the Soviet Union the contract was continued with Rosdiamzoloto, the Russian gold and diamond organisation, and an exclusive sales agreement was later signed with Yukra, the area in eastern Siberia where most Russian diamonds are mined and which is now an autonomous republic in the Russian Federation.

A CSO spokesman said yesterday: "The Russian contract is working. Everything is normal."

Diamantaire points out that the Russian parliament is to consider next month a plan to set up a state diamond centre under the control of

the finance ministry and Kondragmet, formerly known as Goldrush, the Moscow depository of diamonds.

Reports suggest that the diamond centre would have exclusive rights to buy all rough diamonds mined in the Russian Federation and it would also have a monopoly of sorting gem diamonds.

These proposals are being opposed by the Yakut government, which is backing a joint-stock company, Almay Rosil (Diamonds of Russia), being set up with Mr Valery Rodakov, formerly in charge of Rosdiamzoloto, at its head. Rosdiamzoloto is to be broken up.

Almay Rosil proposes to bring all the diamond industry's operations under one roof, says Diamantaire.

Observers expect Mr Oppenheimer to bring his formidable negotiating skills to bear to ensure that De Beers

grip on the diamond market is in no way weakened by any changes in Russia.

Meanwhile, the newsletter, which is available only to subscribers to Diamantaire International magazine, also says that reports in Antwerp suggest that two of the Belgian diamond trading organisations with which the CSO has a special relationship have been punished by the CSO's rarely being excluded from the CSO's "rights" or diamond sales. The CSO invites only about 160 privileged merchants to its "rights" a year in London, Lucerne and Kimberley.

Diamantaire says that one of the Belgian organisations has had dealings with Russia for more than 20 years.

Diamantaire International and Diamantaire, from CRU Publishing, 31 Mount Pleasant, London WC1X 0AD, UK.

Snow causes massive NZ lamb losses

By Terry Hall in Wellington

FREAK SPRING snows blanketed much of the South Island to a depth of one metre, causing massive losses among newly born lambs at the start of the lambing season, and serious worries about this year's export trade.

The August snows are compounding problems for sheep farmers in both North and South Islands who are struggling through one of the worst winters on record. Farmers have been hit by repeated natural disasters: including drought on the South Island's high country. In the North Island, farmers have had to cope with almost constant rain, making pastures muddy, and bitter winter cold, which has hindered grass growth.

The snows, the second break fall this winter - are having a devastating effect on farmers at the peak of lambing.

With drifts up to four feet deep down to the coast, there is little most farmers can do to save stock. While ewes are managing to survive, new-born lambs die almost instantly, and because of the freak drifts, farmers are unable to reach them.

For the second time this winter North Island farmers and sending free hay by rail to their South Island counterparts.

The stock losses come at a time when export lamb prices are climbing in the most optimistic outlook for sheep farmers for several years. The expected heavy lamb losses are also likely to mean the closure of a more freezing works, already having problems with overcapacity, with thousands of jobs being lost.

The bad news follows currency moves, especially against sterling, which have bolstered farm incomes. But demand for

New Zealand lamb has also been higher. Prices at Smithfield lamb were the equivalent of NZ\$10 (£1.50) a kilogram last week, compared with about \$12.75 a year ago.

However, New Zealand is running into quota problems. The New Zealand Meat Board suggested this week that this was already causing buyers who relied on the New Zealand product to bid up prices because of fears of a looming shortage. By the end of July New Zealand had used up 79 per cent of its annual quota of 205,000 tonnes under the voluntary restraint agreement with the European Community.

This compares with 66 per cent of the quota this time last year. The meat board says that European demand for lamb has been remarkably buoyant this year, especially for barbecued cuts, and prices have been good. Of the 79 per cent used shipped so far this year, 38.3

per cent have been sold to continental Europe (compared with 30.5 per cent at the same time last year) with the rest going to Britain.

The EC as a whole normally takes 60 per cent of New Zealand's lamb production with about half this going to Britain. A meat board official said yesterday that New Zealand would have no trouble filling this year's quota: the main concern was that there would not be enough to meet the demand. There was some concern at the country's ability to meet the Christmas trade, because of the effect of the bad weather on lamb numbers.

South Island, the main source of supply, was expected to face especially heavy losses.

However both exporters and the board official said that while carcasses weights might be lower, the expected leanness of the meat meant quality was likely to be higher than ever.

Coffee producers 'may have to go it alone'

By David Blackwell

COFFEE PRODUCING countries, many of which are finding it difficult to pay growers a subsistence wage, are increasingly realising that they may have to take unilateral action to rescue their industries from impending collapse, according to the latest monthly market report from GNI, the London futures brokers.

When the International Coffee Organisation meets from September 21 to 30 in London producers will finally discover how serious consumers are about a new international pact.

"Further delays in negotiations or consumer insistence on an unrealistic price range will force the origins [producers] to go it alone."

With arabica coffee prices near 50 cents a lb and robustas near 30 cents, producers are united in believing prices need to rise. However, before taking action they would have to overcome the mistrust that followed the collapse of the international coffee agreement's export quota system in July 1989. The necessary trust to work together should prices rally to 70 cents a lb "may not yet be in place", says GNI.

The best chance for co-operation lies with the arabica producers. More than 80 per cent of the world's best arabica is grown in Central and South America. Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras and Nicaragua already speak as one at the ICO "and would probably act as a cohesive unit in an arabica cartel" along with Brazil and Colombia, the two biggest producers.

The cartel would first have to tackle the consumer stockpile of 18m bags (50 kg each). Of this 6m bags is stored in US warehouses and certified for delivery against the New York arabica futures market.

"At 50 cents a lb the arabica cartel could theoretically buy all the excess exchange stocks for around \$30m or just a fraction of the \$5.2bn which the Brazilian government has made available to its farmers to finance the 1992-93 coffee harvest," GNI points out. But it adds that the US authorities will "not be a willing party to any outside attempt to push up coffee prices".

The robusta producers would find it much more difficult to act together as the production from 38 countries is spread across Africa, Asia and America.

During the first half Malaysia exported 513,987 tonnes of rubber, a fall of 8 per cent from last year's figure. Total natural rubber stocks at the end of June were 128,996 tonnes, a 5 per cent rise on the May figure.

While smallholder production rose by 12,663 tonnes, or 8 per cent, over the six months

Russia seeks bids for copper development

By Leyla Boulton in Moscow

RUSSIA HAS launched an international tender for bids to develop its largest copper mine, at Ust-Kalmuk in Siberia.

The project has long been planned but the government is now finally inviting foreign and Russian companies to submit proposals for a feasibility study on developing the mine.

Goldman Sachs, which is already advising the government on attracting foreign investment, will act as consultant to the Russian tender committee.

The Investiya newspaper yesterday quoted Mr Yuri Prochkin, the secretary for the tender committee, as saying that it would take at least \$1bn and eight years to develop the mine, which was in an extremely difficult geographical location.

A similar feasibility study to develop off Sakhalin island ran into fierce political wrangling among various Russian authorities. Anxious to attract widespread foreign investment, the government is hoping to avoid a similar drama this time round.

Banana plan under fire from both sides

Canute James on producers' fears about the EC's quota proposals

THE EUROPEAN Community's proposals for banana imports when its single market comes into operation next year, which have been condemned by Latin American producers, have also come under attack from the traditional producers whose preferential access the EC apparently wants to ensure.

Countries of the African, Caribbean and Pacific group, the traditional suppliers to the community, say the latest EC proposals are unacceptable because they will limit the expansion of exports.

The community is proposing a quota of 2m tonnes per year for Latin American exporters, and the ACP group says it will

be left with preferential access for 620,000 tonnes a year. "This figure takes no account of the substantial investments made in the ACP countries to improve production and shipping or for any share in the ACP in the growth of EC consumption," said a statement from the Caribbean Banana Exporters' Association.

The Union of Banana Exporting Countries, a grouping of Latin American exporters, had earlier attacked the community's proposals, saying that they violated the General Agreement on Trade and Trade.

The group said the proposals would cost them millions of dollars in lost income and lead to higher prices for the fruit in Europe.

causing reduced consumption. Mr Marshall Hall, managing director of the Jamaica Banana Exporters Association, said the ACP producers feared a cap on their access to the European market. The ACP group was also concerned about the sourcing of additional fruit that might be needed by the community.

"The proposed level for the ACP group is based on 1990 production, but there has been significant production increase since," Mr Hall said.

"By 1994, for example, based on current plans, the Caribbean producers will be increasing the quantity of available export fruit. Belize will double its 100,000 tonnes per year. Suriname will move from

40,000 tonnes to 50,000 tonnes, Jamaica from 70,000 tonnes to 120,000 tonnes and the Windward Islands from 280,000 tonnes to 300,000 tonnes."

The ACP producers have also asked for more information on the form and quantity of aid which the European Community is proposing for its own producers. "The European Community's assurance to guarantee revenue levels in keeping with its obligations under the Lomé Convention must now be delivered by the market," the Caribbean Banana Exporters' Association said. "It would be most regrettable if ACP banana producers had to rely on deficiency payments for their income."

WORLD COMMODITIES PRICES

MARKET REPORT

London COCOA prices finished lower, and New York prices were sharply down at midday, after talk of thunder storms in the Ivory Coast prompted nervous speculative liquidation. However, one weather report said the storms were expected to be isolated and the weather was likely to remain mostly dry over the next few days. Concern about dry weather in the region has been a key supportive factor. Precious metals maintained a firmer tone on the London bullion market as GOLD was fixed at \$339 a troy ounce before edging higher despite the dollar's rally on the back of an unexpectedly large drop.

London Markets

SPOT MARKETS		
Commodity	Unit	Change
Crude oil (per barrel FOB/CIP)		+ or -
Distillate	\$17.70-75d	-0.15
Crude oil (per barrel FOB/CIP)		
Crude oil (per barrel FOB/CIP)	\$18.40-55d	-0.15
Crude oil (per barrel FOB/CIP)	\$18.65-60d	-0.15
Crude oil (per barrel FOB/CIP)	\$21.05-13d	-0.15
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Technical rally helps share prices

By Terry Byrnes, UK Stock Market Editor

A CALMER session in the foreign exchange markets provided the opportunity for a technical rally in UK shares yesterday. Although gains were trimmed at the close when sterling began to soften against the DM, the London market shared fully in the recovery in stock markets across Europe.

Fund managers bought back a little of the stock sold on Tuesday and the session was enlivened by some basket trading - selling of stock index futures and purchasing of blue chip stocks - after traders sensed that a big US investment bank was buying the Footsie future contract.

The day's gain of 56.6 took the Footsie to 3,311.6, just below the day's peak level.

The index bounced satisfactorily after a firm opening, helped by an earlier trend in London money rates, had brought out a few profit-takers. The cautious revival of confidence was encouraged by the rise of more than 1,000 points in the Nikkei Average and by a similar performance from Wall Street.

Traders were wary of placing too much significance on yesterday's rally. Tonight's session saw the London stock market moving into the three day Summer Bank Holiday weekend break and dealers have been told to balance trading books by mid-session today. Bear positions were being trimmed yesterday.

Minister on the general need for lower interest rates "in the medium term."

Unsettling factors on the domestic scene also restrained the investment mood. Another dividend reduction, this time from Slough Estates in the property sector, brought attention back to the dangers still lurking on the corporate front.

Hopes for a consumer-led recovery in the British economy received a fresh jolt from a bullish statement from Scottish & Newcastle which has trading interests across the range of brewing and leisure activities.

The combination of modest bargain-hunting by the institutions and basket-trading by market firms boosted the day's Seaq volume total to 474.1m shares, against only 374.9m in the previous session. Retail or customer business was worth only £535.2m on Wednesday, a continuation of the effectively unprofitable trading levels which have bedevilled the London market in recent weeks.

On Tuesday, however, when the Footsie fell by around 1.1 per cent, retail business totalled £1.1bn as large investment funds trimmed portfolios in the face of growing apprehension over the outlook for sterling and UK base rates.

The fragility of the market's confidence yesterday was indicated by a move to take profits in the utility stocks which had stood up well against the general onslaught on equity prices because of their perceived defensive qualities.

FINANCIAL TIMES STOCK INDICES

	Aug 27	Aug 26	Aug 25	Aug 24	Aug 23	Aug 22	Aug 21	Year Ago	1992	Since Completion	
Government Secs	87.29	87.25	87.58	87.80	88.43	85.80	85.80	88.76	88.11	127.40	
								(3/7)	(3/7)	(9/155)	
Fixed Interest	103.26	103.34	103.82	104.51	105.15	94.80	108.35	97.15	98.26	(2/178)	
							(8/7)	(1/7)	(6/782)	(3/175)	
Ordinary Share ^a	166.6	167.6	168.1	171.3	175.6	203.9	214.8	217.2	219.7	48.4	
							(25/6)	(28/7)	(22/502)	(26/640)	
Gold Mines	79.3	78.7	80.3	82.4	82.5	158.1	101.0	78.7	73.4	43.5	
							(10/1)	(26/8)	(15/533)	(28/1071)	
FT-SE 100 Share	2311.8	2285.0	2281.0	2311.1	2363.7	2624.2	2737.8	2281.0	2731	98.5	
							(11/9)	(25/8)	(11/552)	(23/784)	
FT-SE Eurostock 300	1056.13	1037.41	1029.56	1050.49	1077.88	1164.81	1248.78	1029.56	1248.79	838.62	
							(11/9)	(25/8)	(11/552)	(18/101)	
• One Day Yield	5.28	5.50	5.51	5.22	5.10	4.84	5.28	5.10	5.28	10.00	
• Earning Yld - "fullty	7.68	7.74	7.72	7.56	7.39	7.53	7.68	7.39	7.53	10.00	
• P/E Ratio(Nettl...)	16.37	16.23	16.33	16.71	17.09	16.59	16.37	16.59	16.37	10.00	
SEAO Barys S 00pm	18.587	17.228	19.218	19.819	22.298	26.888	26.888	22.298	26.888	10.00	
Earnly Turnover(Nett)		658.2	1103.8	888.6	832.6	983.7	983.7	832.6	983.7	10.00	
Equity Ratio(Nettl...)		20.490	20.803	20.600	20.618	27.237	27.237	20.618	27.237	10.00	
Shares Traded (mlln)		336.1	488.0	282.6	267.8	360.0	360.0	267.8	360.0	10.00	
Ordinary Share Index, Hourly changes	Day's High 1868.4										Day's Low 1837.8
Open	1930.1	1930.2	1930.7	1931.1	1931.6	1932.1	1932.6	1933.1	1933.6	1934.1	
1050.1	1050.2	1050.7	1051.1	1051.6	1052.1	1052.6	1053.1	1053.6	1054.1	1054.6	
FT-SE 100, Hourly changes	Day's High 2317.5										Day's Low 2300.5
Open	2309.4	2309.5	2309.6	2310.1	2310.6	2311.1	2311.6	2312.1	2312.6	2313.1	
1050.1	1050.2	1050.7	1051.1	1051.6	1052.1	1052.6	1053.1	1053.6	1054.1	1054.6	
FT-SE Eurostock 200, Hourly changes	Day's High 1055.4										Day's Low 1050.4
Open	1050.4	1050.5	1050.6	1051.1	1051.6	1052.1	1052.6	1053.1	1053.6	1054.1	
1050.1	1050.2	1050.7	1051.1	1051.6	1052.1	1052.6	1053.1	1053.6	1054.1	1054.6	

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AMERICANS

Company	Price	Change	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	99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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar weakens in late trading

BOTH the dollar and sterling lost ground against the D-Mark in late European trading yesterday after a comparatively calm day on the foreign exchange market.

The dollar held more or less steady above the DM1.4000 level for most of Wednesday, and yesterday ventured as high as DM1.4173 in Europe. It was boosted by surprisingly good US jobs data, with weekly jobless claims dropping 69,000 to 382,000, the lowest level since October 1990. Forecasters had been expecting a figure of 405,000.

The dollar later lost the day's gains, partly because investors had gone long of dollars in the morning in the hope of seeing it break through DM1.42 on the upside. Analysts said that the US currency continued to be weakened by the lack of any chance of the dollar-D-Mark yield gap narrowing, and uncertainties over the US presidential election. It closed in London down more

than 1/4 a penny at DM1.4105. According to Mr Paul Chertkow, head of global currency research at UBS Phillips and Drew, the market is showing signs that DM1.40 could be a firm bottom for the dollar.

"There has been no intervention today, but the market pushed the dollar up of its own accord," he said.

Some dealers said that the dollar still looked weakly. According to Mr Richard Crosby, head of FX trading at Swiss Banking Corporation in London, the market should have pushed the dollar up further following a comment from Mr Theo Waigel, the German Finance Minister, that the Bundesbank should cut interest rates in the medium term. A slight rise in German inflation in August, to an annualised level of 3.5 per cent, may make it difficult for the German central bank to cut interest rates.

The Bank of England did not intervene to support sterling

yesterday but the currency showed signs of weakening late in the European afternoon. After reaching a high of DM2.7889 in the morning, it gradually slumped in the afternoon to a low of DM2.7800, only a penny from its permitted ERM floor. Mr Neil MacKinnon, chief economist at Yamachi International, said that the DM2.75 support level may well crumble in the next few trading days. Yesterday the pound closed down at a penny from the day at DM2.7900.

The Italian lira hit a record low of 764.70 against the D-Mark, compared to its ERM low of 765.40. Some dealers have the habit of selling lira on Friday because of fears that an Italian devaluation is most likely to come on a weekend. Italy continues to come under pressure to reverse its recent interest rate cut.

The D-Mark's strength was clear from the EMS grid: it has jumped three places this week to second position.

E IN NEW YORK

	Aug 27	Aug 28	Previous
1.50	1.0755-1.0765	1.0760-1.0765	1.0760
1.00	1.12-1.125	1.12-1.125	1.125
3 months	1.27-1.275	1.27-1.275	1.275
12 months	1.27-1.275	1.27-1.275	1.275

STERLING INDEX

	Aug 27	Aug 28	Previous
1.00	92.3	92.3	92.3
1.00	92.3	92.3	92.3
1.00	92.3	92.3	92.3
1.00	92.3	92.3	92.3
1.00	92.3	92.3	92.3

CURRENCY MOVEMENTS

	Aug 27	Aug 28	Previous
1.00	92.3	92.3	92.3
1.00	92.3	92.3	92.3
1.00	92.3	92.3	92.3
1.00	92.3	92.3	92.3
1.00	92.3	92.3	92.3

CURRENCY RATES

	Aug 27	Aug 28	Previous
1.00	92.3	92.3	92.3
1.00	92.3	92.3	92.3
1.00	92.3	92.3	92.3
1.00	92.3	92.3	92.3
1.00	92.3	92.3	92.3

OTHER CURRENCIES

	Aug 27	Aug 28	Previous
1.00	92.3	92.3	92.3
1.00	92.3	92.3	92.3
1.00	92.3	92.3	92.3
1.00	92.3	92.3	92.3
1.00	92.3	92.3	92.3

MONEY MARKETS

Cautious trading

A CAUTIOUS calm returned to both the sterling cash and futures markets yesterday as the pound continued to hold above its floor in the European exchange rate mechanism. The Bank of England's large intervention to support sterling appeared to have been initially successful, although dealers feel that the pound will next come under renewed pressure in the run up to the French referendum on the Maastricht treaty.

A late fall in sterling against the D-Mark also triggered new depression in futures.

UK clearing bank base lending rate

18 per cent from May 5, 1992

In the morning short sterling futures rose sharply as confidence about the currency spread, although they continue to price in a base rate rise of at least 1/4 a per cent.

In late trading they fell back, as the pound took new losses on the foreign exchanges. The September short sterling contract closed 1 basis point up from its previous finish, at 89.18. The December contract closed up 1 basis point to 89.18. Volumes traded were again high, at over 45,000 lots.

Period rates in the sterling

cash market softened. Three-month money was down by 1/4 of a per cent on the offered side to 10% per cent, while the 1 year rate was down to 10 1/2% per cent from a previous close of 11 per cent. One month money was back on what dealers called "the right side of 10 base rate": it closed at 10% per cent on the offered side from a previous close of 10 1/2% per cent.

The Bank of England's operations in the sterling money market reflected the easier tone. For the first three days of this week, dealers had rushed to offer paper to the Bank, fearing an imminent rise in base rates. Yesterday, the market took the whole day to remove the shortage of £1.1bn.

In the morning, the Bank bought £20m of Band 3 Treasury bills at 9% per cent, £80m of Band 3 bank bills, £82m of Band 4 bank bills at 9% per cent, and £30m in a repurchase agreement at 9% per cent.

The forecast was later revised to £1bn and the Bank contract closed £1m of Band 4 bank bills in the afternoon, it purchased £32m of Band 1 Treasury bills at 9% per cent, £139m of Band 1 bank bills, £48m of Band 3 bank bills, and £2m in Band 4 bank bills.

There was £405m of late assistance.

period rates in the sterling

FINANCIAL FUTURES AND OPTIONS

	Aug 27	Aug 28	Previous
1.00	92.3	92.3	92.3
1.00	92.3	92.3	92.3
1.00	92.3	92.3	92.3
1.00	92.3	92.3	92.3
1.00	92.3	92.3	92.3

LONDON (LITF)

1% FEDERAL GOVT. BOND

	Aug 27	Aug 28	Previous
1.00	92.3	92.3	92.3
1.00	92.3	92.3	92.3
1.00	92.3	92.3	92.3
1.00	92.3	92.3	92.3
1.00	92.3	92.3	92.3

1% FEDERAL GOVT. BOND

	Aug 27	Aug 28	Previous
1.00	92.3	92.3	92.3
1.00	92.3	92.3	92.3
1.00	92.3	92.3	92.3
1.00	92.3	92.3	92.3
1.00	92.3	92.3	92.3

1% FEDERAL GOVT. BOND

	Aug 27	Aug 28	Previous
1.00	92.3	92.3	92.3
1.00	92.3	92.3	92.3
1.00	92.3	92.3	92.3
1.00	92.3	92.3	92.3
1.00	92.3	92.3	92.3

1% FEDERAL GOVT. BOND

	Aug 27	Aug 28	Previous
1.00	92.3	92.3	92.3
1.00	92.3	92.3	92.3
1.00	92.3	92.3	92.3
1.00	92.3	92.3	92.3
1.00	92.3	92.3	92.3

1% FEDERAL GOVT. BOND

	Aug 27	Aug 28	Previous
1.00	92.3	92.3	92.3
1.00	92.3	92.3	92.3
1.00	92.3	92.3	92.3
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1.00	92.3	92.3	92.3

1% FEDERAL GOVT. BOND

	Aug 27	Aug 28	Previous
1.00	92.3	92.3	92.3
1.00	92.3	92.3	92.3
1.00	92.3	92.3	92.3
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1.00	92.3	92.3	92.3

1% FEDERAL GOVT. BOND

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1.00	92.3	92.3	92.3
1.00	92.3	92.3	92.3
1.00	92.3	92.3	92.3
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1.00	92.3	92.3	92.3

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1.00	92.3	92.3	92.3
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1.00	92.3	92.3	92.3
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1% FEDERAL GOVT. BOND

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	Aug 27	Aug 28	Previous
1.00	92.3	92.3	92.3
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1% FEDERAL GOVT. BOND

	Aug 27	Aug 28	Previous
1.00	92.3	92.3	92.3
1.00	92.3	92.3	92.3
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1.00	92.3	92.3	92.3
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	Aug 27	Aug 28	Previous
1.00	92.3	92.3	92.3
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1.00	92.3	92.3	92.3
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1.00	92.3	92.3	92.3
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1.00	92.3	92.3	92.3
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1.00	92.3	92.3	92.3
1.00	92.3	92.3	92.3
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1.00	92.3	92.3	92.3
1.00	92.3	92.3	92.3
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1.00	92.3	92.3	92.3

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1.00	92.3	92.3	92.3
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1.00	92.3	92.3	92.3
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1.00	92.3	92.3	92.3
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1.00	92.3	92.3	92.3

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1.00	92.3	92.3	92.3
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1.00	92.3	92.3	92.3
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	Aug 27	Aug 28	Previous
1.00	92.3	92.3	92.3
1.00	92.3	92.3	92.3
1.00	92.3	92.3	92.3
1.00	92.3	92.3	92.3
1.00	92.3	92.3	92.3

1% FEDERAL GOVT. BOND

	Aug 27	Aug 28	Previous
1.00	92.3	92.3	92.3
1.00	92.3	92.3	92.3
1.00	92.3	92.3	92.3

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

[illegible]

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هكذا من الأصل

NASDAQ NATIONAL MARKET[illegible][illegible][illegible]

Category	11/13	11/24	12/5	12/16	12/27	1/7	1/17	1/27	2/6	2/16	2/26	3/6	3/16	3/26	4/5	4/15	4/25	5/5	5/15	5/25	6/4	6/14	6/24	7/4	7/14	7/24	8/3	8/13	8/23	9/2	9/12	9/22	10/2	10/12	10/22	11/1	11/11	11/21	12/1	12/11	12/21	1/1	1/11	1/21	2/1	2/11	2/21	3/1	3/11	3/21	4/1	4/11	4/21	5/1	5/11	5/21	6/1	6/11	6/21	7/1	7/11	7/21	8/1	8/11	8/21	9/1	9/11	9/21	10/1	10/11	10/21	11/1	11/11	11/21	12/1	12/11	12/21	1/1	1/11	1/21	2/1	2/11	2/21	3/1	3/11	3/21	4/1	4/11	4/21	5/1	5/11	5/21	6/1	6/11	6/21	7/1	7/11	7/21	8/1	8/11	8/21	9/1	9/11	9/21	10/1	10/11	10/21	11/1	11/11	11/21	12/1	12/11	12/21	1/1	1/11	1/21	2/1	2/11	2/21	3/1	3/11	3/21	4/1	4/11	4/21	5/1	5/11	5/21	6/1	6/11	6/21	7/1	7/11	7/21	8/1	8/11	8/21	9/1	9/11	9/21	10/1	10/11	10/21	11/1	11/11	11/21	12/1	12/11	12/21	1/1	1/11	1/21	2/1	2/11	2/21	3/1	3/11	3/21	4/1	4/11	4/21	5/1	5/11	5/21	6/1	6/11	6/21	7/1	7/11	7/21	8/1	8/11	8/21	9/1	9/11	9/21	10/1	10/11	10/21	11/1	11/11	11/21	12/1	12/11	12/21	1/1	1/11	1/21	2/1	2/11	2/21	3/1	3/11	3/21	4/1	4/11	4/21	5/1	5/11	5/21	6/1	6/11	6/21	7/1	7/11	7/21	8/1	8/11	8/21	9/1	9/11	9/21	10/1	10/11	10/21	11/1	11/11	11/21	12/1	12/11	12/21	1/1	1/11	1/21	2/1	2/11	2/21	3/1	3/11	3/21	4/1	4/11	4/21	5/1	5/11	5/21	6/1	6/11	6/21	7/1	7/11	7/21	8/1	8/11	8/21	9/1	9/11	9/21	10/1	10/11	10/21	11/1	11/11	11/21	12/1	12/11	12/21	1/1	1/11	1/21	2/1	2/11	2/21	3/1	3/11	3/21	4/1	4/11	4/21	5/1	5/11	5/21	6/1	6/11	6/21	7/1	7/11	7/21	8/1	8/11	8/21	9/1	9/11	9/21	10/1	10/11	10/21	11/1	11/11	11/21	12/1	12/11	12/21	1/1	1/11	1/21	2/1	2/11	2/21	3/1	3/11	3/21	4/1	4/11	4/21	5/1	5/11	5/21	6/1	6/11	6/21	7/1	7/11	7/21	8/1	8/11	8/21	9/1	9/11	9/21	10/1	10/11	10/21	11/1	11/11	11/21	12/1	12/11	12/21	1/1	1/11	1/21	2/1	2/11	2/21	3/1	3/11	3/21	4/1	4/11	4/21	5/1	5/11	5/21	6/1	6/11	6/21	7/1	7/11	7/21	8/1	8/11	8/21	9/1	9/11	9/21	10/1	10/11	10/21	11/1	11/11	11/21	12/1	12/11	12/21	1/1	1/11	1/21	2/1	2/11	2/21	3/1	3/11	3/21	4/1	4/11	4/21	5/1	5/11	5/21	6/1	6/11	6/21	7/1	7/11	7/21	8/1	8/11	8/21	9/1	9/11	9/21	10/1	10/11	10/21	11/1	11/11	11/21	12/1	12/11	12/21	1/1	1/11	1/21	2/1	2/11	2/21	3/1	3/11	3/21	4/1
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Dignity	1.52	11	131	64	43	+33%
Day Shirts	0.89	16	363	74	69	-1%
Deluxe Box	1.21	2	512	124	124	0%
Delta Co.	0.80	12	20	28	28	2%
DeLoranges	0.44	24	34	26	19	-16%

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Sales Co.	1.64	11	1547	51%	50%	-1%			
Sanderson	0.30	21	65	15%	14	-1%			
Gervenson	0.52	12	82	15%	15	-1%			

stay in touch
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complimentary copy
of Circle

Company	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591</
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Disc	Track	Time	Genre	Label	Rating	Score	Notes
Disc 1 <td>1</td> <td>5:06</td> <td>143%</td> <td>144%</td> <td>145%</td> <td>146%</td> <td>147%</td>	1	5:06	143%	144%	145%	146%	147%
Disc 2 <td>1</td> <td>16</td> <td>2%</td> <td>6%</td> <td>7%</td> <td>8%</td> <td>9%</td>	1	16	2%	6%	7%	8%	9%
Disc 3 <td>1</td> <td>16</td> <td>2%</td> <td>6%</td> <td>7%</td> <td>8%</td> <td>9%</td>	1	16	2%	6%	7%	8%	9%
Disc 4 <td>1</td> <td>16</td> <td>2%</td> <td>6%</td> <td>7%</td> <td>8%</td> <td>9%</td>	1	16	2%	6%	7%	8%	9%
Disc 5 <td>1</td> <td>16</td> <td>2%</td> <td>6%</td> <td>7%</td> <td>8%</td> <td>9%</td>	1	16	2%	6%	7%	8%	9%
Disc 6 <td>1</td> <td>16</td> <td>2%</td> <td>6%</td> <td>7%</td> <td>8%</td> <td>9%</td>	1	16	2%	6%	7%	8%	9%
Disc 7 <td>1</td> <td>16</td> <td>2%</td> <td>6%</td> <td>7%</td> <td>8%</td> <td>9%</td>	1	16	2%	6%	7%	8%	9%
Disc 8 <td>1</td> <td>16</td> <td>2%</td> <td>6%</td> <td>7%</td> <td>8%</td> <td>9%</td>	1	16	2%	6%	7%	8%	9%
Disc 9 <td>1</td> <td>16</td> <td>2%</td> <td>6%</td> <td>7%</td> <td>8%</td> <td>9%</td>	1	16	2%	6%	7%	8%	9%
Disc 10 <td>1</td> <td>16</td> <td>2%</td> <td>6%</td> <td>7%</td> <td>8%</td> <td>9%</td>	1	16	2%	6%	7%	8%	9%
Disc 11 <td>1</td> <td>16</td> <td>2%</td> <td>6%</td> <td>7%</td> <td>8%</td> <td>9%</td>	1	16	2%	6%	7%	8%	9%
Disc 12 <td>1</td> <td>16</td> <td>2%</td> <td>6%</td> <td>7%</td> <td>8%</td> <td>9%</td>	1	16	2%	6%	7%	8%	9%
Disc 13 <td>1</td> <td>16</td> <td>2%</td> <td>6%</td> <td>7%</td> <td>8%</td> <td>9%</td>	1	16	2%	6%	7%	8%	9%
Disc 14 <td>1</td> <td>16</td> <td>2%</td> <td>6%</td> <td>7%</td> <td>8%</td> <td>9%</td>	1	16	2%	6%	7%	8%	9%
Disc 15 <td>1</td> <td>16</td> <td>2%</td> <td>6%</td> <td>7%</td> <td>8%</td> <td>9%</td>	1	16	2%	6%	7%	8%	9%
Disc 16 <td>1</td> <td>16</td> <td>2%</td> <td>6%</td> <td>7%</td> <td>8%</td> <td>9%</td>	1	16	2%	6%	7%	8%	9%
Disc 17 <td>1</td> <td>16</td> <td>2%</td> <td>6%</td> <td>7%</td> <td>8%</td> <td>9%</td>	1	16	2%	6%	7%	8%	9%
Disc 18 <td>1</td> <td>16</td> <td>2%</td> <td>6%</td> <td>7%</td> <td>8%</td> <td>9%</td>	1	16	2%	6%	7%	8%	9%
Disc 19 <td>1</td> <td>16</td> <td>2%</td> <td>6%</td> <td>7%</td> <td>8%</td> <td>9%</td>	1	16	2%	6%	7%	8%	9%
Disc 20 <td>1</td> <td>16</td> <td>2%</td> <td>6%</td> <td>7%</td> <td>8%</td> <td>9%</td>	1	16	2%	6%	7%	8%	9%
Disc 21 <td>1</td> <td>16</td> <td>2%</td> <td>6%</td> <td>7%</td> <td>8%</td> <td>9%</td>	1	16	2%	6%	7%	8%	9%
Disc 22 <td>1</td> <td>16</td> <td>2%</td> <td>6%</td> <td>7%</td> <td>8%</td> <td>9%</td>	1	16	2%	6%	7%	8%	9%
Disc 23 <td>1</td> <td>16</td> <td>2%</td> <td>6%</td> <td>7%</td> <td>8%</td> <td>9%</td>	1	16	2%	6%	7%	8%	9%
Disc 24 <td>1</td> <td>16</td> <td>2%</td> <td>6%</td> <td>7%</td> <td>8%</td> <td>9%</td>	1	16	2%	6%	7%	8%	9%
Disc 25 <td>1</td> <td>16</td> <td>2%</td> <td>6%</td> <td>7%</td> <td>8%</td> <td>9%</td>	1	16	2%	6%	7%	8%	9%
Disc 26 <td>1</td> <td>16</td> <td>2%</td> <td>6%</td> <td>7%</td> <td>8%</td> <td>9%</td>	1	16	2%	6%	7%	8%	9%
Disc 27 <td>1</td> <td>16</td> <td>2%</td> <td>6%</td> <td>7%</td> <td>8%</td> <td>9%</td>	1	16	2%	6%	7%	8%	9%
Disc 28 <td>1</td> <td>16</td> <td>2%</td> <td>6%</td> <td>7%</td> <td>8%</td> <td>9%</td>	1	16	2%	6%	7%	8%	9%
Disc 29 <td>1</td> <td>16</td> <td>2%</td> <td>6%</td> <td>7%</td> <td>8%</td> <td>9%</td>	1	16	2%	6%	7%	8%	9%
Disc 30 <td>1</td> <td>16</td> <td>2%</td> <td>6%</td> <td>7%</td> <td>8%</td> <td>9%</td>	1	16	2%	6%	7%	8%	9%
Disc 31 <td>1</td> <td>16</td> <td>2%</td> <td>6%</td> <td>7%</td> <td>8%</td> <td>9%</td>	1	16	2%	6%	7%	8%	9%
Disc 32 <td>1</td> <td>16</td> <td>2%</td> <td>6%</td> <td>7%</td> <td>8%</td> <td>9%</td>	1	16	2%	6%	7%	8%	9%
Disc 33 <td>1</td> <td>16</td> <td>2%</td> <td>6%</td> <td>7%</td> <td>8%</td> <td>9%</td>	1	16	2%	6%	7%	8%	9%
Disc 34 <td>1</td> <td>16</td> <td>2%</td> <td>6%</td> <td>7%</td> <td>8%</td> <td>9%</td>	1	16	2%	6%	7%	8%	9%
Disc 35 <td>1</td> <td>16</td> <td>2%</td> <td>6%</td> <td>7%</td> <td>8%</td> <td>9%</td>	1	16	2%	6%	7%	8%	9%
Disc 36 <td>1</td> <td>16</td> <td>2%</td> <td>6%</td> <td>7%</td> <td>8%</td> <td>9%</td>	1	16	2%	6%	7%	8%	9%
Disc 37 <td>1</td> <td>16</td> <td>2%</td> <td>6%</td> <td>7%</td> <td>8%</td> <td>9%</td>	1	16	2%	6%	7%	8%	9%
Disc 38 <td>1</td> <td>16</td> <td>2%</td> <td>6%</td> <td>7%</td> <td>8%</td> <td>9%</td>	1	16	2%	6%	7%	8%	9%
Disc 39 <td>1</td> <td>16</td> <td>2%</td> <td>6%</td> <td>7%</td> <td>8%</td> <td>9%</td>	1	16	2%	6%	7%	8%	9%
Disc 40 <td>1</td> <td>16</td> <td>2%</td> <td>6%</td> <td>7%</td> <td>8%</td> <td>9%</td>	1	16	2%	6%	7%	8%	9%
Disc 41 <td>1</td> <td>16</td> <td>2%</td> <td>6%</td> <td>7%</td> <td>8%</td> <td>9%</td>	1	16	2%	6%	7%	8%	9%
Disc 42 <td>1</td> <td>16</td> <td>2%</td> <td>6%</td> <td>7%</td> <td>8%</td> <td>9%</td>	1	16	2%	6%	7%	8%	9%
Disc 43 <td>1</td> <td>16</td> <td>2%</td> <td>6%</td> <td>7%</td> <td>8%</td> <td>9%</td>	1	16	2%	6%	7%	8%	9%
Disc 44 <td>1</td> <td>16</td> <td>2%</td> <td>6%</td> <td>7%</td> <td>8%</td> <td>9%</td>	1	16	2%	6%	7%	8%	9%
Disc 45 <td>1</td> <td>16</td> <td>2%</td> <td>6%</td> <td>7%</td> <td>8%</td> <td>9%</td>	1	16	2%	6%	7%	8%	9%
Disc 46 <td>1</td> <td>16</td> <td>2%</td> <td>6%</td> <td>7%</td> <td>8%</td> <td>9%</td>	1	16	2%	6%	7%	8%	9%
Disc 47 <td>1</td> <td>16</td> <td>2%</td> <td>6%</td> <td>7%</td> <td>8%</td> <td>9%</td>	1	16	2%	6%	7%	8%	9%
Disc 48 <td>1</td> <td>16</td> <td>2%</td> <td>6%</td> <td>7%</td> <td>8%</td> <td>9%</td>	1	16	2%	6%	7%	8%	9%
Disc 49 <td>1</td> <td>16</td> <td>2%</td> <td>6%</td> <td>7%</td> <td>8%</td> <td>9%</td>	1	16	2%	6%	7%	8%	9%
Disc 50 <td>1</td> <td>16</td> <td>2%</td> <td>6%</td> <td>7%</td> <td>8%</td> <td>9%</td>	1	16	2%	6%	7%	8%	9%

10-10-1964

**BILBAO
HOTEL
CRISTALIN**

**When you stay
with us in Bilbao,**

FINANCIAL TIMES
ESTABLISHED 1888

AMERICA

Strong overseas gains boost Dow by midday

Wall Street

A STRONG showing from overseas equity markets and a rising dollar provided a substantial lift to US share prices yesterday morning, writes Patrick Harverson in New York.

By 1 pm the Dow Jones Industrial Average was up 22.43 at 3,289.24. The more broadly based Standard & Poor's 500 was also firmer at the halfway mark, up 2.04 at 415.55, while the Amex composite was up 1.38 at 381.03 and the Nasdaq composite was 5.31 higher at 554.01. Turnover was brisk at 107m shares by 1 pm.

Big gains in foreign markets, especially in Tokyo, buoyed up sentiment when trading in New York opened. The performance of the dollar also provided support for stocks, which have been troubled lately by the currency's decline and its impact on bond prices. The dollar was up almost a penny at DM1.41 by 1 pm.

The good news from overseas and the currency markets helped equity investors shrug off some mixed economic reports.

Although the latest weekly jobless claims fell sharply, the figures were distorted by one-off factors. The news that sec-

ond quarter gross domestic product rose by 1.4 per cent in the quarter, as had been originally estimated, had no effect on stocks, although a downward revision in the quarterly sales component was slightly worrying.

Among individual stocks, HJ

NYSE volume

Daily (million)

350

300

250

200

150

100

50

0

13 14 15 16 17 18 19 20 21 22 23 24 25 26 27

August 1992

Average daily volume 1991

178,188,650

Heinz firm \$1.2 to \$4.12 in

active trading after the food

group announced a joint

venture with Hillside Holdings

of the UK to acquire a Hunga-

rian state-owned canning com-

pany.

GTE fell \$1 to \$35 after

broking house Smith Barney

cut its rating on the stock from

a "buy" to a "hold", saying

that the share price had come

close to reaching the analyst's

target of \$40.

News of a strike at one of its plants in Ohio - which will force the company to cancel production early next week at its Saturn factory - failed to affect General Motors, which

firmly \$34 to \$34.4.

Motor stocks were generally

firmer on hopes of improving

car sales, and Chrysler added

\$1 to \$19.5 and Ford put on

\$1 to \$40.4, all in heavy trad-

ing.

Du Pont fell \$1 to \$49.12 after

the broking house PaineWeb-

ber reduced its 1992 and 1993

earnings estimates for the com-

pany because of an expected

fall in carpet fibre sales and a

tightening in refining margins

at its Conoco oil subsidiary,

which accounts for 20 per cent

of Du Pont's operating profits.

Canada

TORONTO extended early

gains but volume remained

low. At mid-session the TSE 300

index was 12.18 higher at

3,395.18 with 11m shares

traded. The metals & minerals

index remained strong, up

22.42 at 2,974.38.

Among active stocks at mid-

session, Nova Corp was up

\$3.1 to \$38.12, Inco was \$3.5

firmer at \$32.2 and Canadian

Imperial Bank advanced \$3.1

at \$30.

EUROPE

Firmer dollar helps bourses to rebound

A FIRMER dollar lifted most bourses yesterday but dealers cautioned that the rise was mostly technical, writes Our Markets Staff.

FRANKFURT's biggest one day rise for over a year was mainly driven by a rally in futures and short-covering as another batch of good corporate results prompted fund managers to return to the equity market.

The DAX index gained 40.14 to 1,513.42 after the FAZ index had seen a rise of 13.88 to 566.22 at mid-session. Turnover

rose to DM5.7bn from DM5.1bn.

Strong interim results from

Daimler and Volkswagen set

the mood for the day with the

former advancing DM20 or 3.4

per cent to DM610.80 and the

latter DM10.50 to DM354.50.

The Daimler figures were par-

ticularly encouraging and

above most analysts' expecta-

tions.

BASF was the last of the

major chemical groups to

report its half-year figures this

week and came in at the lower

end of expectations. While its

shares gained DM4.30 to

DM211.40, in line with the mar-

ket, most analysts recom-

mended a switch out of the

stock into either Bayer, up

FT-SE Eurotrack 100 - Aug 27

Hourly changes

Open 10.30am 11am 12pm 1pm 2pm 3pm close

1011.26 1014.58 1015.68 1015.08 1016.97 1017.94 1018.13 1017.14

Day's High 1018.43 Day's Low 1011.26

Aug 26 597.98 Aug 25 593.01 Aug 24 1010.52 Aug 21 1039.54 Aug 20 1030.53

Base value 1000 (Jan 1992)

DM7.30 to DM264.80 or

Hoechst, DM9.90 firmer at

DM237.90.

Retailer Kaufhof, which

reported a 13 per cent increase

in first half sales, advanced

DM20 to DM436.50.

PARIS rose 1.2 per cent on

arbitrage-related buying but

turnover was thin at

FFr1.52bn. The CAC-40 index

closed 19.76 higher at 1,687.56.

Elf was one of the day's more

prominent gainers, adding

FFr4.50 to FFr315.80 as several

brokers issued buy notes fol-

lowing its better-than-expected

interim results.

Eurotunnel, up FFr1.45 to

FFr26.05, was also in demand

on hopes that the company

was close to an agreement with

TMI.

Paribas fell FFr6 to FFr284

on rumours that it was going

to bid for the building group

Fougerolle and its unit SAE.

of NKr348m. Among active issues, Norsk Hydro gained NKr14.50 to NKr139 while Kvaerner free shares gained NKr12 to NKr141 and Haslund free shares rose NKr15.50 to NKr158.

ZURICH enjoyed a positive day helped by rises in chemical stocks and demand for BBC Asa Brown Boveri. The SMI index 35.6 or 2 per cent to 1,740.6.

BBC Brown Boveri bears advanced SFr190 to SFr3,560 while its certificates improved SFr42 to SFr707. Among chemicals Roche certificates added SFr50 to SFr3,310.

AMSTERDAM advanced strongly with DAF putting in one of the best performances of the day. The CBS Tendency index closed 2 higher at 110.1. The truck group saw its shares leap F12.30 or nearly 14 per cent to F118.80 after reporting strong first half figures and announcing that it was in talks with an unnamed group over forming a strategic alliance.

BRUSSELS was less impressive as the Bel-20 index put on 2.97 to 1,059.04. Petrofina went against the trend, down BFr190 or 2.1 per cent at BFr3,760 but off an intraday low of BFr3,560.

It shares have been losing ground after the group announced a 55 per cent drop in first half earnings earlier this month.

Banks were generally firmer with BBL advancing BFr105 to BFr3,155 while Tractebel climbed BFr150 to BFr7,340.

STOCKHOLM recovered a further 4.7 per cent on the back of declining domestic interest rates and positive impulses from abroad. The Affarsvarlden General index rose 35.5 to 788.9 in heavy turnover of SKr815m.

Astra gained further after its pleasing interim, with the A share adding SKr25 to SKr338 and the B share adding SKr25 to SKr323.

COPENHAGEN closed higher in active trading, but East Asiatic Company (EAC) posted a substantial decline after reporting a six-month loss. The KFX top-20 index closed 1.89 higher at 77.66 but EAC fell DKr12 to DKr77.

HELSINKI heard that the government proposed lifting foreign ownership restrictions on shares from January. The HEX index rose 1.5 per cent to 567.7. MADRID's general index gained 1.7 to 205.46 in turnover of Ptas.7bn.

ASIA PACIFIC

Tokyo surges 6 per cent to settle above 17,500

Tokyo

ACTIVE buying ahead of the government's announcement of economic support measures sharply boosted share prices, and the Nikkei average surged 6.1 per cent to close above 17,000 for the first time since July 15, writes Erika Terazono in Tokyo.

The 225-issue average gained 1,103.35 to 17,555.00, after opening at the day's low of 16,517.32 and setting a high for the session of 17,596.45 in the afternoon.

Volume jumped to 820m shares from 327m on active buying by dealers and investment funds. Individuals were seen placing small-lot orders, along with foreigners. Rises overwhelmed declines by 1,028 to 41, with 47 issues unchanged. The Topix index of all first section stocks forged ahead 63.07 to 1,340.45, although in London the ISE/Nikkei 50 index ended just 0.11 firmer at 1,088.35.

Investors were encouraged by reports that up to ¥1,000bn of public funds would be invested in the stock market as part of the government's support package. Traders said hopes of an easing in monetary policy by the Bank of Japan were also being discounted into share prices.

Some investors are worried about the effects of a political scandal, involving one of the country's most powerful politicians, closed. Mr Shin Kanemaru, vice-president of the Liberal Democratic Party, resigned after admitting that he had received political funds from Sagawa Kyubin, a parcel delivery company.

Mr Hiromichi Ishikawa, man-

aging director at Yamaichi Securities, said: "The market could fall some 500 to 700 points, but investors who have not been able to buy will be ready to jump in."

Stocks gained across the board. Activity was led by Ricoh, the office equipment maker, which advanced ¥92 to ¥882. Activity was prompted by reports that the company would post a double-digit rise in pre-tax profits for this fiscal year in spite of its previous forecast of a decline.

Other heavily traded stocks included speculative. Aids-related issues. Green Cross rose ¥30 to ¥1,390 and Ube Industries, a chemical maker, put on ¥83 to ¥443.

High-technology issues were higher on bargain hunting. Fujitsu gained ¥40 to ¥810 and Sony ¥280 to ¥4,250.

In Osaka, the OSE average leapt 1,045.39 to 19,145.34 in volume of 30.6m shares. Nintendo, the video game maker, added ¥700 to ¥11,200.

Roundup

TOKYO'S rise failed to prompt

similar action in the Pacific

Basin.

HONG KONG ended weaker

in dull trading after an early

rally expired and jittery local

investors rushed to take profits.

The Hang Seng index finished

18.09 down at 5,490.72,

after reaching 5,566.81. Turn-

over contracted to HK\$2.40bn

from HK\$3.03bn.

SINGAPORE was lower in

light trading, with SIA Foreign

and NatSteel particularly

weak. The Straits Times Indus-

trial index shed 9.69 to 1,360.4

in volume of 47.64m shares.

NATSEI, which announced

poor interim results, fell 23

cents to S\$2.71 and led the

actives on a volume of 9.34m shares, more than a quarter of total turnover. SIA Foreign dropped 50 cents to S\$15.30 on profit-taking.

SEOUL closed higher for the fifth consecutive session, although late profit-taking pared gains. The composite index added 6.74 to 330.61.

TAIWAN opened higher on bargain hunting in the construction sector, but closed well off the day's best on profit-taking. The weighted index was finally 7.94 up at 3,800.97. Turnover remained thin at T\$19.38bn.

MANILA fell on fears that the weaker dollar will affect the profits of Philippine Long Distance Telephone, which relies heavily on foreign exchange earnings. The composite index lost 28.18 to 1,426.31 in combined volume of 370m pesos.

AUSTRALIA continued to advance, but some analysts warned that it was too early to speak of a recovery. The All Ordinaries index put on 4.8 to 1,543.3 in turnover of A\$186.3m.

News Corp recorded 50 cents to A\$22.86 as investors took profits following Wednesday's encouraging results. TNT firmed 3 cents to A\$1.42 after News Corp said it may sell its 50 per cent stake.

NEW ZEALAND was boosted by overseas markets and the NZSE-40 index rose 18.82 to 1,178.34 in turnover of NZ\$20m.

BANGKOK eased after the authorities announced that from today brokers will be barred from trading in "designated securities". The SET index dipped 3.81 to 749.04 in low turnover of B\$4.27bn.

KUALA LUMPUR gained ground on bargain hunting. The composite index improved 8.05, or 1.4 per cent, to 567.56.

De Beers reflects Johannesburg's woes

The fall in its share price has dragged the whole market lower, writes Philip Gawith

FOLLOWING a long period of gravity-defying upward movement, the Johannesburg Stock Exchange (JSE) has, over the past two months, finally experienced the correction analysts have been predicting for more than a year.

A combination of political gloom and economic stagnation has seen the overall index fall by 17 per cent from its 1992 peak of 3,749 set in June to close yesterday at 3,126. The industrial index has retreated 14 per cent from a high of 4,894, also reached in June, to stand yesterday at 4,058.

The JSE rose by nearly 40 per cent in 1991, fuelled by optimism about a political settlement, and the familiar hot-house effect of large institutional cash-flows, trapped by exchange control, chasing a limited number of quality stocks. Optimists believed that the improved political outlook justified the upward rerating, especially of industrial shares.

The consensus, however, was that the JSE was waiting for an excuse for a downward correction. Mr Anthony Gibson, portfolio manager at investment house Syreys, notes that on the five occasions in the past 30 years when the price/earnings ratio of the JSE has reached 12.5 (it is now 12) the rating has unwound within 12 months, either through stronger earnings growth or lower share prices.

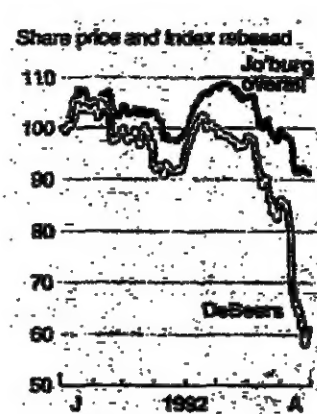
The past few months have given no reason for confidence on the former, but ample on the latter. Political gloom was undoubtedly the catalyst, with the collapse in May of constitutional talks, the Boipatong massacre in mid-June, and the subsequent mass action campaign organised by the African National Congress, driving the country into its worst political crisis since the release of ANC leader Mr Nelson Mandela in February 1990. Belief that the country was moving towards a speedy negotiated settlement was replaced by the realisation of a difficult and potentially protracted transition.

Economic news was also depressing. By June, economists had realised that far from the recession bottoming out, it had been aggravated by the worst drought this century, putting the country on course for its third consecutive year of negative growth.

Recent corporate news has only served to confirm what the economists had been forecasting.

In a category of its own, in terms of impact, was the announcement earlier this month by De Beers, which controls the world diamond market, that a "substantial reduction" in the final dividend was likely owing to a sudden deterioration in the market outlook.

The unexpected news had a devastating effect on the price



of the dominant share on the JSE - it accounts for approximately 10 per cent of all trade and has a smaller weighting in the overall index. From R73

per share on the day, the results were released - and having stood at R94 as recently as May 14 - the price for De Beers has plunged 24 per cent to close at R55.50 yesterday, dragging the overall index down by 7 per cent over the same period.

Although the market was on the way down, the De Beers announcement undoubtedly crystallised perceptions, emphasising that the world economy was weaker than many realised.

De Beers itself may not yet have bottomed out: citing the prospect of a large dividend cut and weak earnings, analysts believe the share price is likely to hit R45 before it reaches R60, again.

Although there is agreement

that the JSE is by now discounting most of the bad economic and political news, analysts agree that it is more likely to go down than up. In particular, it remains vulnerable to weaker world markets, especially the Dow Jones Industrial Index for Wall Street, which the JSE tracks closely.

Investors should probably be happy if the market finishes the year at current levels, though present indicators suggest they may not be so fortunate.

With growth in company earnings now being put out to the second half of next year, an upturn for the JSE is probably unlikely before the first quarter of 1993.

A shining example of the solid links within the Arab world.

ARAB PETROLEUM INVESTMENTS CORPORATION

PO BOX 10000, DUBAI, U.A.E. (P.O. BOX 10000, DUBAI, U.A.E.)

TELEFAX 0438111111

FT-ACTUARIES WORLD INDICES																	
Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Warwick Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries																	
NATIONAL AND REGIONAL MARKETS		WEDNESDAY AUGUST 26 1992							TUESDAY AUGUST 25 1992				DOLLAR INDEX				
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DAX Index	Local Currency Index	Local % chg day	Gross Div Yield	Pound Sterling Index	Yen Index	DAX Index	Local Currency Index	1992 High	1992 Low	Yr ago approx		
Australia (89)	129.36	+0.2	96.92	102.13	94.59	120.19	+1.3	4.56	136.79	94.41	100.06	92.29	118.65	105.65	126.79	146.41	
Austria (90)	148.76	+0.4	111.74	118.24	109.51	109.40	+0.4	2.67	143.79	111.02	117.07	106.22	108.91	103.70	139.27	174.41	
Belgium (42)	125.00	+0.1	93.87	102.32	91.99	106.54	+0.0	3.20	125.96	93.87	108.58	115.18	103.23	104.00	152.27	135.67	
Canada (114)	123.80	-0.1	93.87	97.32	91.99	106.54	+0.0	3.20	125.96	93.87	108.58	115.18	103.23	104.00	152.27	135.67	
Denmark (93)	222.22	-0.8	165.81	195.45	162.50	164.49	-0.4	1.86	224.11	166.86	176.67	162.13	165.20	273.94	222.22	252.77	
France (103)	155.37	-0.9	115.96	125.65	113.60	115.66	-0.1	3.85	161.17	115.96	125.65	113.60	115.66	125.65	113.60	115.66	
Germany (64)	114.42	-0.6	85.38	90.35	83.67	83.67	-0.1	2.73	115.07	85.38	90.35	83.67	83.67	83.67	125.65	108.81	
Hong Kong (35)	157.26	+3.1	108.54	178.34	165.18	124.15	+3.0	3.72	157.26	165.18	124.15	124.15	165.18	217.52	209.25	178.34	
Ireland (16)	167.26	+0.2	108.54	178.34	165.18	124.15	+3.0	3.72	157.26	165.18	124.15	124.15	165.18	217.52	209.25	178.34	
Italy (78)	63.98	-0.5	47.65	50.42	46.70	51.22	-0.1	4.05	64.15	47.65	50.42	46.70	51.22	80.86	63.91	71.01	
Japan (113)	160.00	+0.0	76.40	80.84	78.84	80.84	+0.0	1.05	160.00	76.40	80.84	78.84	80.84	100.00	160.00	160.00	
Malaysia (69)	229.43	+0.1	171.19	167.34	167.34	167.34	+0.1	1.01	229.43	167.34	167.34	167.34	167.34	217.16	212.49	189.43	
Mexico (18)	1200.03	+0.9	940.14	994.81	921.38	924.44	+1.9	0.15	1209.94	938.21	938.21	938.21	938.21	947.35	170.77	126.94	
Netherlands (23)	165.27	+0.4	123.31	130.48	120.85	119.59	+0.8	4.69	164.63	122.99	129.92	119.83	118.81	167.29	147.98	137.14	
New Zealand (14)	42.11	+0.5	31.42	31.42	31.42	31.42	+0.5	41.90	42.11	31.42	31.42	31.42	31.42	46.52	41.90	46.52	
Norway (23)	140.26	+2.8	104.66	110.74	102.57	105.99	+3.0	2.38	136.40	101.57	107.65	100.69	102.89	129.56	136.40	136.40	
Singapore (38)	192.25	+3.3	143.44	151.78	140.58	141.70	+3.3	2.33	186.18	136.64	146.94	135.51	137.45	226.63	180.71	187.93	
South Africa (15)	186.01	+0.1	138.01	142.65	133.00	133.00	+0.1	3.83	186.01	138.01	142.65	133.00	133.00	154.44	253.60	186.01	
Spain (19)	135.95	-1.8	101.44	107.34	96.41	-	-1.3	6.23	135.95	101.44	107.34	96.41	-	135.95	150.29	135.95	
Sweden (30)	176.87	+3.0	131.82	138.48	129.19	134.43	+3.0	3.06	171.48	129.19	134.43	129.19	134.43	200.26	171.48	191.78	
Switzerland (22)	110.44	+1.3	82.41	82.41	82.41	82.41	+1.3	2.49	111.97	83.30	88.29	81.43	86.45	113.88	96.45	92.81	
United Kingdom (26)	179.50	+0.1	133.93	141.70	131.24	134.83	-0.1	5.58	179.50	133.93	141.70	131.24	134.83	200.07	179.50	180.32	
USA (522)	168.40	+0.5	125.55	132.95	123.14	168.40	-0.5	2.99	167.57	127.14	132.26	127.14	132.26	181.97	168.40	180.32	
Europe (789)	144.96	-0.3	107.86	114.12	106.71	107.38	+0.1	2.44	144.96	107.86	114.12	106.71	107.38	107.38	155.86	139.04	139.04
America (100)	120.35	+0.3	120.35	125.88	118.83	117.61	+1.9	2.00	120.35	120.35	125.88	118.83	117.61	115.37	188.52	159.53	159.53
Pacific (175)	107.19	+0.3	84.63	84.63	84.63	84.63	+0.3	2.67	107.19	84.63	84.63	84.63	84.63	115.37	107.19	115.37	
Asia - Pacific (150)	122.80	+0.0	91.28	96.58	94.43	94.65	-0.2	2.87	122.80	91.28	96.58	94.43	94.65	94.65	121.13	113.80	113.80
North America (538)	156.73	+0.5	123.88	130.86	121.21	164.32	+0.5	3.00	156.73	123.88	130.86	121.21	164.32	163.55	170.31	158.70	159.66
Europe (100)	122.80	+0.0	91.28	96.58	94.43	94.65	-0.2	2.87	122.80	91.28	96.58	94.43	94.65	94.65	121.13	113.80	113.80
Pacific (150)	154.35	+2.3	115.71	121.88	112.12	121.88	+2.3	3.69	154.35	115.71	121.88	112.12	121.88	121.88	154.35	121.88	121.88
World Ex. US (167)	123.77	+0.0	92.35	97.73	90.51	96.95	+0.2	2.87	123.77	92.35	97.73	90.51	96.95	96.95	145.91	116.14	132.06
World Ex. Japan (22)	123.77	+0.0	92.35	97.73	90.51	96.95	+0.2	2.87	123.77	92.35	97.73	90.51	96.95	96.95	145.91	116.14	132.06
World Ex. US (167)	137.82	+0.2	102.69	108.79	97.95	119.45	+0.3	2.82	137.82	102.69	108.79	97.95	119.45	119.45	116.04	140.18	140.18
World Ex. Japan (22)	157.89	+0.3	117.81	124.67	115.48	140.62	+0.4	3.55	157.89	117.81	124.67	115.48	140.62	140.62	159.20	159.20	159.20
World Ex. Japan (22)	157.89	+0.3	117.81	124.67	115.48	140.62	+0.4	3.55	157.89	117.81	124.67	115.48	140.62	140.62	159.20	159.20	159.20
The World Index (1749)	137.88	+0.2	102.68	108.79	97.95	119.45	+0.3	2.92	137.88	102.68	108.79	97.95	119.45	119.45	130.85	140.85	140.85
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